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W. L. GORDON

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A

ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS v. 1. - 3

HELD AT

ST. JOHN'S, NFLD.

October 18, 1955

Oct. 25







ROYAL COMMISSION

on

CANADA'S ECONOMIC PROSPECTS

The royal commission on Canada's economic prospects opened its public sitting in St. John's, Newfoundland, on Tuesday, October 18, 1955.

Present:

Mr. W. L. Gordon, Chairman;

Mr. Omer Lussier;

Mr. Andrew Stewart;

Mr. Raymond Gushue;

Mr. A. E. Grauer,

Douglas V. LePan, Secretary.

Appearances:

Hon. J. R. Smallwood, Premier;

Mr. H. Carl Goldenberg, Counsel,  
for the province of Newfoundland;

Mr. H. M. S. Lewin, Bowater's  
(Newfoundland) Pulp and Paper Mills Limited;

Mr. A. H. Monroe, Fishery Products Limited.





THE CHAIRMAN: In calling to order this first public session of the royal commission on Canada's economic prospects, I should like to say how very pleased we are to be in Newfoundland, Canada's newest provinces, and to hold this first session in St. John's, one of the oldest cities in North America.

I expect that all Canadians take a particular interest, and a genuinely sympathetic interest, in the development of this newest part of Canada, and in the solution of the problems with which its people are faced. I know that all the members of this Commission are pleased to be here, and that we are looking forward to learning from your government leaders and from others what the rate of economic development in Newfoundland is likely to be.

I should add that last weekend I was most interested in reading the excellent brief which is to be presented to us by Premier Smallwood and his counsel, Mr. H. Carl Goldenberg. If all the briefs which are presented to this Commission are of the same high calibre, we shall not lack for information or for ideas.

As this is the first public session of the Commission, I should like to say a word about the procedure which we are planning to follow. The scope of our work is very broad. The matters which must be studied are numerous and varied. We have not been appointed to investigate specific contentious issues but rather to consider thoughtfully what may be the





economic status of Canada some 25 years hence. To facilitate our task we are planning to conduct our proceedings as informally as possible. We have asked that briefs be submitted to us in advance, so that the Commission may read and study them before they are presented. In these circumstances we shall not expect briefs to be read to us at the hearings. Instead, we shall ask those who are presenting briefs to summarize the main points and to answer questions such as may be put to them by members of the Commission. However, I should like to point out that representatives appearing before us on behalf of provincial governments should feel free to make their presentations in whatever way may seem best to them.

In order that we may properly plan our timetable and itinerary, I would urge all those who are planning to present briefs to the Commission at any of its hearings throughout Canada to notify us of their intention, if they have not already done so.

As this is our first public session, I think we should begin the proceedings by asking Mr. D. V. LePan, the secretary, to read into the record the commission which incorporates our terms of reference.

MR. LePAN: The Committee of the Privy Council have had before them a report from the Prime Minister stating that it is desirable that the Canadian people should be more fully informed of the long-term economic prospects of Canada, and that it is in the





national interest to initiate, examine and publish studies of Canada's economic potentialities, including developments in productive capacity, the growth and distribution of the population, the direction and nature of our internal and external trade, progress in standards of living and expanding requirements for industrial and social capital.

The Committee, therefore, on the recommendation of the Prime Minister, advise that:

Mr. W. L. Gordon, Chairman;

Mr. Omer Lussier;

Mr. A. E. Grauer;

Mr. Andrew Stewart;

Mr. Raymond Gushue.

be appointed commissioners under part I of the Inquiries Act (chapter 154 of the revised statutes of Canada, 1952) to inquire into and report upon the long-term prospects of the Canadian economy, that is to say, upon the probable economic development of Canada and the problems to which such development appears likely to give rise, and without limiting the generality of the foregoing, to study and report upon:

- a) developments in the supply of raw materials and energy sources;
- b) the growth to be expected in the population of Canada and the changes in its distribution;
- c) prospects for growth and change in domestic and external markets for Canadian productions;





- d) trends in productivity and standards of living; and
- e) prospective requirements for industrial and social capital.

THE CHAIRMAN: Thank you Mr. LePan.

Now do you wish to proceed, Mr. Smallwood.

MR. SMALLWOOD: Mr. Chairman and members of the royal commission, it is my pleasant duty to extend





a word of welcome to you on your arrival here in Newfoundland. I am sure that I speak for all the people of this province when I say that Newfoundland is not less interested in the outcome of your work than the people of any other province in Canada.

It would be a little less than human if I did not single out the one citizen of Newfoundland who is a member of your royal commission, in the person of Dr. Raymond Gushue, president of our Memorial University. I am quite sure that the interest of Newfoundland generally is enhanced considerably by the fact that Dr. Gushue is a member of your Commission.

I am glad also that we have here today Hon. Mr. Pickersgill, a member of the government of Canada, and a member of the House of Commons for a constituency here in Newfoundland. He is also interested, as a Canadian and as a member of the government of Canada --- and I think and certainly hope as the Newfoundland minister in the Canadian government -- in the work of your royal commission. He is so interested that he has come all the way here to be present at these hearings in the old city of St. John's.

I may say that Newfoundland has rather anticipated your work by some years. Seven or eight years ago the people of Newfoundland were sitting as a sort of a jury on the very matter which has called you into existence as an official body. We too in Newfoundland were trying to assess Canada as she was then and Canada as it appeared she would probably become, because we were called upon to decide whether





or not we would become part of Canada. But the fact that we are part of Canada may give you some idea of the verdict to which we came. The verdict was that Canada was very sound and that her future was very promising indeed. Now of course if I were to say anything else I doubt that you would believe it. Actually our concern in Newfoundland is for the part that Newfoundland plays and will play in Canada's future. We have not been Canadians long enough yet to be as concerned over the progress of Saskatchewan, British Columbia, Alberta or even Ontario as we are in the future of our own people of Newfoundland.

I think that today the most striking fact about Newfoundland is the rapid growth of our population. That fact must determine our thinking and many of our actions in Newfoundland for a good many years to come. We have, if not the fastest growing population of any Canadian province, certainly, one of the fastest growing. We have the highest birth rate of any Canadian province. We have the lowest death rate of any Canadian province.

That latter fact has been true only for a few years. Last year the Dominion Bureau of Statistics published figures showing the actual number of persons by which the population of each province increased in the previous year. That is not a percentage; that is not relative. That is the actual number; and Newfoundland had a larger actual increase by numbers in the past year or approximately the past year than had Nova Scotia or Prince Edward Island or New Brunswick





or Saskatchewan or, I think, Manitoba. That means that there were only four provinces in Canada, namely Ontario, Quebec, Alberta and British Columbia, that actually had a greater growth of population for the year, in actual numbers. If that were in proportion or if it were relative it would still be a very striking fact, but actually in the net increase in the numbers we were fifth of Canada's ten provinces.

That is due to a number of reasons, obviously. It is due to these two facts I have stated, the highest birth rate and the lowest death rate, and it is due also to the striking fact that in the past few years the people of Newfoundland have not been leaving Newfoundland to live in other parts of this continent as they had been doing for well over a century. As a matter of fact it is told in our history that the United States of America was populated to no inconsiderable degree by people who came from Europe to Newfoundland, lived here a year or two or five or ten, and then emigrated to the United States or to the mainland of what we now call Canada. That movement, beginning 400 years ago, continued almost with interruption until five or six years ago, but in the last five or six years that outward flow of our people from our shores has largely come to a stop.

That in turn, I think -- the fact that our people have stopped going away and have remained in Newfoundland -- is due to a great new faith they have in their own province, in themselves and in the future of Newfoundland. I believe that our people





have now, to a degree unknown in the past, unparalleled, unprecedented in our history, a faith in Newfoundland, in themselves and in the future and the potentialities of Newfoundland. I believe that today for almost the first time in our history our people, our Newfoundland people, believe that Newfoundland is a good place in which to live, that it is a good place in which to stay, that it has a good future.

Now, according to Mr. Goldenberg's brief, in these 25 years with which your royal commission are to deal, that is, by the year 1980, our population will be 726,000 souls or 693,000 souls or 680,000 souls, depending on what happens. If there is no outward flow of our people from our shores, or virtually none and no inward flow, if you take only the births and deaths, we will have 726,000 people 25 years hence. If there is an outward flow of just a thousand persons a year from Newfoundland, that is to say, 25,000 people leaving Newfoundland in the next 25 years, we will have a population of 693,000. And if the historic average is maintained, with 1,400 people a year leaving Newfoundland, we will have, nevertheless, 25 years hence 680,000 people.

I think we can take one of these figures. For convenience I will take the figure of 700,000 people, 25 years hence, which is an increase of about 300,000 people above our present population; and I say that in fact we will have that many more people, and that fact must determine virtually all policy of the government and people in this province of Newfoundland.





The growth of our population is undoubtedly the greatest challenge that ever faced Newfoundland. It is a challenge and it is an opportunity. In addition to that, that population growth presents problems to Newfoundland that are not less than gigantic, which may even appear to be insoluble; because clearly, if we are to have 300,000 more population in the next few years than we have now, we are going to have to provide a great new plan, as I might call it, by way of schools and by way of hospitals and by way of roads and by way of housing and by way of water and sewerage and by way of electricity, to mention only some of the things we will have to do as a result of that great increase of population.

Since we became a province of Canada our school population, the number of our children attending school, has been increasing at the rate of 5,000 a year, and will continue to increase at a rate of at least 5,000 more children each year than in the preceding year. That alone means that we must provide each year, for the next 25 years, 170 new classrooms and 170 new teachers.

We begin as of this moment with a shortage of some 300 classrooms in Newfoundland and a shortage of 300 teachers at the same time. By 1980 we will have a school population of 150,000 children. That is an increase of 57,000 over the present school population. That means, including the present shortage of 300 classrooms, that we have to provide 2,200 entirely new classrooms for our children that do not exist today. At a mere \$10,000 per classroom, and





they have been costing us that, and in the future may cost a little more, that is \$22 million we must lay out in the next 25 years to provide new classrooms. Otherwise we will have our children on the streets, as they will not be able to go to school. The least we can spend in the next few years to build our university is \$10 million. I am sure that the member of your royal commission who is the president of our university will not quarrel with the modest figure of \$10 million for a good university. That is \$32 million for education in the next 25 years.

Now as to hospitals, I ought to say this, Mr. Chairman. It is a sad thing to say but it has to be said because it happens to be the truth. Newfoundland is sadly behind the next less advanced province of Canada, whether that is Nova Scotia or New Brunswick or Prince Edward Island I do not know, in the way of public services. That applies to schools and roads and hospitals and many other public services. Right now we are short 500 hospital beds, at this moment. If we had these 500 hospital beds we would just about reach the present level of, say, Nova Scotia, which would be very far below the levels of the other provinces of Canada, and certainly the provinces which are not maritime provinces.

We have to provide 1,400 more beds in the next 25 years, a total of 1,900 new hospital beds. At \$10,000 a bed, which is what they have been costing -- and in fact we have spent millions on hospital beds in the last five or six years -- that is \$19,000,000





more. That is not counting mental hospitals or mental hospital beds, and we have to provide 1,700 more of those to meet the situation in respect to mental health. That is another \$11,000,000. So a bare minimum of \$30,000,000 must be spent to provide health facilities, very ordinary health facilities for our Newfoundland people.

Now with regard to roads, Newfoundland has of course been historically lacking in roads. Mr. Chairman, you may find that a little difficult to believe, but the first road was not built in Newfoundland until 1825, and that road was built from St. John's down to Portugal Cove. It was many years after 1825 before the next one was built. The absence of roads in Newfoundland has had an almost incalculable effect on our Newfoundland history. Our people, of course, are terribly scattered. They live in 1,300 settlements stretching over 6,000 miles of our Newfoundland coastline and 1,500 miles of our Labrador coastline. We are lamentably behind even the province of Nova Scotia. To reach the existing level of roads in Nova Scotia, that is to say so many miles per thousand of population, or by any yardstick you like, we would have to build in the next 25 years, so that a quarter of a century from now we would be where Nova Scotia is today, 3,500 miles of new roads. Or to equal Prince Edward Island today, by 25 years hence we would have to build over 5,700 miles of new roads. That will give some idea of how far behind we are in the matter of roads.



Our brief will show that in the next 25 years we have to spend on 3,500 miles of new roads some \$105 million; to improve or rebuild or reconstruct the existing roads, most of which do not deserve the name and would not be called roads in other parts of Canada but footpaths, trails, lanes, or I don't know what, will cost \$30 million. We have far fewer miles of paved roads than Prince Edward Island, which has an area of 2,000 square miles. We have 42,000 square miles, not counting 112,000 square miles in Labrador. We must spend \$30 million for paving our share of the trans-Canada highway; for the paving of roads, \$20 million; and for replacing a large number of wooden and unsafe bridges and bridges that have become too narrow for motor traffic, \$5 million. That is \$190 million on roads in the next 25 years. And we will know, Mr. Chairman, that when we have spent that \$190 million we will perhaps have reached the level that Nova Scotia has already reached, and Nova Scotia will then be 25 years ahead of us.

Now as to housing. Newfoundland has really made, for our standards, magnificent progress. I think today we lead all the provinces of Canada in co-operative housing. I think we have established new records for co-operative house building. I believe that we are amongst the top provinces in slum clearance and rehousing. Certainly we were the first province to take advantage of the federal slum clearance and rehousing programme. We passed the first provincial Act, and in fact we had great difficulty because we had to create it. We had no help whatso-





ever from any other province. So we have not done so badly with housing. Yet today the housing situation is bad. You could see that if you went through St. John's and saw some of our slums; you could see if if you went through Newfoundland generally and saw the standard of our housing. You would see many hundreds of houses that were built just after the fire of 1892, wooden frame houses, and you would realize it is time they went. We will have to replace present housing already condemned and what must be condemned in the next few years, and house that new population of 300,000. We did not have 300,000 people in Newfoundland 15 years ago. We did not have them 10 years ago. We must expect a shifting population, because we must naturally expect new towns to spring up and old towns to be abandoned; and as it is impossible to move the houses from the old site to the new, there will be a lot of new housing.

We must build 3,600 new houses a year. We must build 90,000 new houses in the next 25 years in Newfoundland. Put that down at just \$10,000 a house, which is pretty low today. That is \$36 million a year or \$900 million in the next 25 years, or nearly a billion dollars for housing. And ~~having done that~~ we will still be far below the Canadian average in housing across the nation, even after the expenditure of nearly a thousand million dollars.

In recent years, especially since Confederation, there has been great progress in Newfoundland in the matter of water and sewerage. We have around this





island today a number of settlements that have become incorporated in the last four, five, six, eight or ten years, and since union a good many of these have had water and sewerage systems installed. Indeed from 1951 to 1954 inclusive, outside of the city of St. John's, some \$4 million has been spent in Newfoundland to install water and sewerage. But we are so far back that it will take at least \$23 million in the next 25 years, and we will then still be far below the Canadian average.

One of the most astonishing things in the last five, six or seven years is the development of electricity in this province. The figures are really astonishing. I won't trouble you with them; you will find them in our brief, as prepared by Mr. Goldenberg. But I would think we must be among the two or three top provinces of Canada, not perhaps in the actual amount of increase but in the proportionate increase in electricity in this province. But by 1980, because of the increase of population, and because of the rising standard of living of our people, we will be consuming a thousand million kilowatt hours or about 400 per cent more than we are consuming today. We will go up from 127,000 horsepower -- this is exclusive of paper mills and mines -- to 500,000. I doubt that you can in fact produce hydro today, any hydro energy, at \$200 per horse power, but at \$200 that is another \$75 million, not counting the increase there must be in the present supply to the two great paper mills and not counting any electricity that will be required by a probable



new paper mill to come; not counting the electricity which will be needed in probable new mines to open, and excluding altogether what will need to be done in the vast area of Labrador.

I have referred only to the island of Newfoundland. In Labrador I think it entirely probable that ten or twelve million horsepower will be under development, will be produced within the next 25 years. I believe that will cost a thousand million dollars to develop. I say that advisedly on the basis of information I have had from the parties concerned. In the next 25 years, and far less than 25 years, ten to twelve million horsepower will be developed in Labrador, costing a thousand million dollars to do it. On the Hamilton river watershed, one watershed alone, there are ten million horsepower to be developed, and on the Grand Falls of that watershed there are four and a half million horsepower that can be developed.

To sum it up, Mr. Chairman, with our fast growing population, which is the greatest single physical and economic fact of Newfoundland today -- the highest birth rate and the lowest death rate -- merely to hold our own, to be as well off in these matters 25 years from now as we are now today, we have to spend in these 25 years \$32 million on education; \$30 million on hospitals; \$190 million on roads and bridges; \$900 million on housing; \$23 million on water and sewerage and \$85 million on electricity. That is a total of \$1,250 million, one and a quarter billion dollars in





the next 25 years, or \$50 million dollars a year.

That is a bare, bone minimum.

Now I would like to point out that all of this is on capital account. It takes no account at all of the ordinary or current account expenditures which we must make in the ordinary course of events. We will have to go right on spending \$8 million every year just to maintain the schools we have at this moment, and another \$8 million maintaining the hospitals we have now, and \$5<sup>1</sup>/<sub>2</sub> million a year just to maintain the roads we have at this moment. We will have to go on spending that on ordinary current account. And we will have to increase that current expenditure, because as we make the capital expenditures that I have suggested the maintenance costs of these increased facilities must of course increase correspondingly. We will have to spend these amounts every year on ordinary maintenance in the next 25 years.

Now, Mr. Chairman, what I have done is merely give you some idea of the bare, minimum expenditure necessary just to keep Newfoundland from falling behind, to hold what we have. It is, I suggest, a great and thrilling challenge to Canadian statesmanship, federal and provincial; and it is, I think, a great and thrilling opportunity for the skill and energy of our Newfoundland people.

Can we manage it? Can we do these things? And how can we do them? What have we got with which we can finance our own progress? I suggest to you that the best way to do that, the only really sensible way and certainly the only truly satisfying way, is





not to go whining to Ottawa, our national capital, for handouts. I don't know even that we would get them. But even if we could, it is not the way to do it. Newfoundland is not a poorhouse. Newfoundland is not Canada's poor relative. Before we will allow that to happen we will leave Canada. Oh, I know that there are constitutional difficulties in the way of a province leaving, but we would find the way. Before we would allow anyone to make second-class Canadians of us we would cease to be Canadians.

No one is going to try to do that. No one wants to do it. No desire exists anywhere in the world to make us second-class Canadians. But the only way to make us first-class Canadians is to find, to measure, to blueprint and to develop every last ounce and every last inch of the wealth that Providence has bestowed upon us; our fisheries, our forests, our water powers, our minerals and our very earth itself. ~~These~~ we have to develop so we can tax them; and not only so we may tax them, but so we can tax them and out of the revenue that taxation brings finance schools, hospitals, roads, electricity, water, sewerage and housing and the hundreds of other things without which we can scarcely call ourselves a civilized people in this present century.

We Newfoundlanders have the faith necessary. We believe in our province and we believe in ourselves, and we will do our part. The help we need from our national government, from the government of all Canada, is to help to find, to measure, to blueprint and to



develop our natural resources. That is the help we want. That is the only help that is sound. That is the only help that is satisfactory or that will ever satisfy us. We do believe that we have great natural resources. We believe that God was good to us when he made our island and made Labrador. We believe that he endowed us bountifully with material wealth.

We cannot help believing that. We are now perhaps the world's second potential producer of iron ore. In another three or four years we will be producing 12, 13 or 15 million tons of iron ore per year. That will make us the world's second producer of iron ore. That is great wealth.

We have at Buchans one of the richest mines of its kind in the whole world; copper, lead, zinc, silver and gold all in the same rock -- a remarkable conglomeration. At St. Lawrence, according to the U.S. Bureau of Mines year book, we have the greatest deposits of high-grade fluorspar in the whole world. We have on our west coast probably the greatest deposits of very high-grade gypsum rock known anywhere in this world today, running 97, 98 and 99 per cent pure, to put it very unscientifically. It is extremely high-grade. We have in Labrador and in Newfoundland enough standing timber on crown lands and on land that is not owned by the existing paper companies to support three more paper mills than we have. We have, as you know already, the largest single paper mill in the whole world, the Bowater's mill at Corner Brook; and at Grand Falls, Newfoundland, we have one of the largest paper mills in the world. These two mills





between them, Mr. Chairman, have 30 million cords of growing timber; a cord is 128 cubic feet. They have thirty million cords, eighteen and twelve respectively. We have one stand in Labrador, just one single stand of timber, of nearly 40 million cords. That is almost 10 million more than these two great paper mills have as their only source of wood.

That wood in Labrador is, I think, undoubtedly the highest quality of pulp wood in the world. I will give you an example. I believe that in the province of New Brunswick a cord of pulp wood will yield about 1,800 pounds of pulp. I think in Labrador the same cord will yield over 3,000 pounds. So when you cut a cord of wood in Labrador you have not just cut a cord of wood, you have cut a cord of wood and a lot more. Because of the density of the fibre it is a papermaker's dream. That overwhelming proportion of black spruce, which has a very dense fibre, is a very slow growing crop.

But, sir, in our fisheries we have a potential which is beyond the comprehension of any living man, I believe. Dr. Gushue, one of your royal commissioners, was a member of the fisheries development committee which was headed by the chief justice of our supreme court, Sir Albert Walsh. I think they spent two years investigating the fisheries of Newfoundland. We will be able to tell you in your private conversations and discussions the truth of what I say about the fisheries. And as





that is something about which he has first-hand knowledge, you can measure the accuracy and realism of what I have said about our other resources by the accuracy of what I am about to say in connection with the fisheries, because Dr. Gushue can help you do that.

The imagination of Canadian statesmanship, both federal -- as represented here by my good friend Mr. Pickersgill -- and provincial, as represented by my honourable colleague here, has failed utterly to grasp the potentialities of the fisheries to Canada, as they are found particularly in the province of Newfoundland. The addition of Newfoundland as a province of Canada has now made Canada potentially the world's greatest fishing power. We have in almost 500 years developed a race of fishermen, practically with salt-water for blood. They have lived on the Atlantic ocean. It is commonplace to risk their lives. They mastered the ocean, they mastered the tides; they are superb fishermen and superb mariners. And the best that our statesmanship, whether it be the statesmanship of politicians such as ourselves, or of fish merchants, or of the fishermen themselves, can suggest is that they get jobs on the bases or go up to Ontario and get jobs as carpenters. The finest fishermen in the world cannot make a living out of what should be one of Canada's greatest basic industries. They don't see it. They don't sense it. I don't believe they have any appreciation of it. I believe it leaves them cold.



We have very few fishermen left in Newfoundland, and all but a very few have ceased to be venturesome, have ceased to be daring, have ceased to be imaginative. Yet, you have today in this province the potential of a great basic industry that could give a comfortable living to tens of thousands of our people, Canadians like yourselves, Mr. Chairman, as much Canadians as you who were born in what is called Canada. It could give them a living even as good as they could get even working in a paper mill or in a mine. That is the kind of living they could get in the fisheries were they developed in the way they are capable of being developed.

So we say that we have the natural resources. We have people who are industrious and energetic. They have to be to have lived in Newfoundland these last four centuries. We have the resources and we have the people, and what we advocate is a great national effort by the government of Canada, an effort unprecedented. It will never satisfy me if it is not unprecedented, if it is not unparalleled, if it is not carried on on a scale that no government on this side of the Atlantic has ever dared to envisage. We need a great national effort by the government of Canada to find, to measure, to blueprint and to develop the natural resources of Canada, especially as they are found in Newfoundland, my first responsibility, and as they are found in the other have-not provinces of Canada.

I have said that before, so I will not





attempt to develop the theme.

Now, Mr. Chairman, one of the things we like about Canada and about being Canadians is that we have in the government of Canada today, as I think we have had for quite some years past, a vision which reaches out right around all the five continents. We have our Minister of External Affairs, Mr. Pearson, just having travelled to Russia; and it is something when the foreign minister of a nation of only 16 million people can travel as a great and honoured and distinguished world statesman across great Russia. Because she is great; whatever else she is, she is great. And he presently is taking an active and prominent part in the Colombo conference somewhere in the far east, in Colombo; in Singapore. These are far-off places, Mr. Chairman. I have never been over there. That is one thing I have yet ahead of me.

We applaud the world statesmanship of the Canadian government in this regard. We applaud Canada for the foremost place she occupies in the Colombo plan. We respect her for it. And we admire her part in the Colombo plan. But we ask you, sir, today, why not come nearer home? I don't say that we should not go ahead with the Colombo plan. By all means do go ahead with it. But why not Newfoundland? Why not in other underdeveloped parts of Canada? And if we must go beyond our national boundary of Canada, why not go into our next door neighbours, the British West Indies, the Caribbean, with a great new and improved all-Canadian Colombo plan for our British cousins and the other people of that great nation.





Now, sir, the name "Jamaica", the name "Barbados", the name "Trinidad" are household words in this island. We have been trading with these islands for nearly four centuries. Newfoundland had been exporting to these islands and importing from them for a couple of hundred years before Ontario was ever heard of; two centuries about, more or less. I won't quibble about a hundred years, but it is around there. There are a lot of other British islands down there in the Caribbean, and in addition to the British islands there are many other islands, Puerto Rico, Dominica, Haiti, Cuba, etc., with whom Newfoundland has traded for many years, and with whom our neighbouring province of Nova Scotia has traded for many years, in other words with whom the Atlantic provinces of Canada, here on this Atlantic ocean, have largely and necessarily traded for centuries. And in addition to these British islands there are the others.

Then in addition to the islands on the coast of Central America and South America there are other British colonies and countries; British Honduras, British Guiana and so on, all of them having a combined population of 50 million people. It is an area in which a great experiment is going on right now, and in which the newest British dominion will shortly be born. That surely is a logical place for the statesmanship of Canada, for Canada to go into the Caribbean and take a leading part outside the Carriibbean. It cannot be more than the people



themselves will do, but outside the Caribbean let Canada take the leading part in assisting that great area right here in our own world, next door to us, to help to develop and grow. And if we want to be selfish about it, I think Canada will grow with it and benefit from it.

Now, Mr. Chairman, we reaffirm our faith in Newfoundland and reaffirm our faith in Canada, a great nation. We believe that Canada will grow. We want to grow with Canada, and we want help in the way I have indicated.

I have shamelessly robbed facts from the brief of Mr. Goldenberg. That is the privilege of a politician -- I assume they were facts. We have been most fortunate in having Mr. Goldenberg to prepare our brief. On a number of occasions previously he has been retained by the government of Newfoundland to undertake work of considerable importance. In addition to that, Mr. Goldenberg has been retained by several municipalities of Newfoundland, notably Corner Brook. In addition to that again he was retained by the manufacturers of Newfoundland, shortly after the advent of union. So he has become remarkably familiar with our problems. We are very proud and we think we are very lucky that we were able to get him to prepare this brief. He must forgive me for having stolen so much of this thunder, but he will present the brief to you, and I know that our case is in excellent and capable hands.

MR. GOLDENBERG: Mr. Chairman and gentlemen, I want to thank the Premier for his very kind





remarks about myself. I think he gave me undue credit. It is true that I prepared the brief. It is also true that I knew what was in the mind of the Premier of Newfoundland; and if he is guilty of having stolen anything from my brief, I am afraid I have to admit there is a great deal in this brief that I have stolen from the mind and thoughts of the Premier of Newfoundland.

Mr. Chairman, as you pointed out in opening the proceedings, pursuant to your request I made copies of this brief available to the commission, and the commission have read it. It is rather lengthy, and I do not propose to read the brief to you, Mr. Chairman; I know you are delighted. Furthermore I know you are delighted that the Premier has very ably highlighted certain parts of the brief, to which I shall only refer in passing. I do feel, however, that for a proper understanding of the problems which Newfoundland faces and particularly for an appreciation of the difference between Newfoundland and the older provinces of Canada, I would like to read the first part of the first section of my brief. I think it will save time if I do it that way rather than try to summarize it.

We all know that the Newfoundland economy rests on three basic industries, fishing, pulp and paper and mining. We hear a great deal of the three. But we must realize that the latter two, pulp and paper and mining, are only of relatively recent origin. For 400 years from the date of its discovery in 1497 the island depended entirely upon fishing. Its early



history was essentially the history of the cod fishery. Fish and fish products constituted 90 per cent of its exports as late as 1894, and were its principal source of national income and employment well past the first quarter of the twentieth century.

For many years after its discovery the island was a fishing station for European fishermen. In due course it became a ward of the British navy and a "nursery for seamen".

I mention these facts because they are historical factors, and the exclusive dependence of the Newfoundland economy upon the fishery for so long a period of its history has influenced almost every phase of its economic development. That is fundamental to an understanding of the problems which Newfoundland faces and any submission which Newfoundland makes to the federal government.

It was the fishery that lead to settlement and determined the distribution of the population. Depending on the sea for a living, the population spread out thinly along the coast. The majority of the people still live in some 1,300 small settlements scattered along the 6,000 miles of coast. The population of the vast majority of these outports ranges from 50 or fewer inhabitants to 500.

This distribution of the population has necessarily affected social and economic development, the establishment of public services and the governmental organizations. For example, the building of roads was not considered essential as long as fishing





was the predominant occupation. The sea was the natural highway between the settlements, as well as to markets and to sources of supply. The cost of highway construction would in any event have been prohibitive because of the low tax-paying capacity of the inhabitants; and I intend to say a word or two more about that as I go along.

The number, size and nature of the settlements, outside of St. John's and more recently Corner Brook, Grand Falls and a few smaller urban centres, were likewise not conducive to the provision of other ordinary amenities which are demanded by larger communities, such as water and sanitation facilities. Apart from other considerations, the very low income of the fishermen could not pay for such services. Although the situation has improved considerably since the union with Canada, there remains a deficiency in accumulated social capital flowing from the economy which predominated for so many years.

Now I just want to review briefly the economic development since the diversification of the economy.

While the fishery continued to predominate well into the twentieth century, serious attempts to make the island less dependent on this one industry began toward the close of the nineteenth century. Mineral resources, revealed by geological surveys, and the existence of timber reserves pointed to opportunities for diversifying the economy and led to a decision to improve communications with a view to



opening up the interior. Accordingly the Newfoundland railway, crossing the island from St. John's to Port aux Basques, was completed in 1896 and provided year-round communication between the east and west coasts for the first time. It served to open up new areas and to stimulate the development of the pulp and paper and mining industries.

You will note, Mr. Chairman, that the first essential step was to improve communications. That was the original need, and I respectfully submit that is the present and the principal need of Newfoundland today if its economic potentialities are to be realized. And, with the opening up of new areas there followed the development of what are today the two main industries in terms of the value of the products.

In 1905 the incorporation of the Anglo-Newfoundland Development Company, Limited, initiated the pulp and paper industry. The erection of its paper mill at Grand Falls was completed in 1909. It has greatly expanded its capacity and output of newsprint and other pulp and paper products, and is a major producer today.

The next big advance in the industry was made between 1923 and 1925, when the Newfoundland Power and Paper Company built a paper mill at Corner Brook and a power plant at Deer Lake. These were subsequently acquired by the International Paper Company and in 1937 by the Bowater's interests. The mill presently operated by Bowater's Newfoundland Pulp and Paper Mills, Limited, at Corner Brook is the





largest integrated operation of its kind in the world.

In this connection, Mr. Chairman, as I have pointed out elsewhere in my brief, in order to establish this industry in Corner Brook it was necessary in 1925 -- as long ago as 1925 -- for both the United Kingdom government and the government of Newfoundland to guarantee debenture issues, as without such government guarantees the plant certainly would not have been erected at that time. And I want to point out that some years were to elapse before the industry, even the pulp and paper industry in Corner Brook, was to show financial success. As a matter of fact, the plant changed hands twice before it became a profitable venture.

I point this out deliberately, and I want you to bear in mind the necessity of guarantees by governments in order to establish a great pulp and paper mill at Corner Brook 25 or 30 years ago.

Now the pulp and paper industry has become a major factor in the Newfoundland economy in terms of employment and production, and the value of its exports is now considerably in excess of the value of exports of fish and fish products. It has also been responsible for the important hydroelectric installations at Deer Lake and on the Exploits River.

Mining has likewise contributed to the diversification of the economy. It has become one of the three major industries in Newfoundland within the past quarter century. The Premier has spoken to you about the iron mines of Labrador. Iron ore



has been mined at Wabana Mines, Bell Island, since 1895; copper and lead-zinc ores at Buchans since 1928, and fluorspar deposits at St. Lawrence on the south coast were brought into production in 1933. Further mineral development is under way at this time. Since union with Canada there has been a further diversification of the economy. With the assistance of the provincial government, as I pointed out in my brief, plants producing cement, gypsum wallboard and gypsum plaster, industrial machinery, furniture, hardwood flooring and plywood, textile goods, leather goods, rubber goods and storage batteries have been established and are still experiencing the initial problems associated with the establishment of new industries in an economy which offers a limited domestic market and which faces the competition of large-scale and highly mechanized production on the mainland of Canada.

The development of these new industries, the growth of the pulp and paper and mining industries and the establishment of secondary industries, has effected important changes in the Newfoundland economy. The pace of economic activity was greatly accelerated during world war II in which Newfoundland's strategic position both as a defence bastion and a link in trans-Atlantic aviation became of major importance. The airports at Gander and Goose Bay and the establishment and maintenance of the United States bases on the island have been responsible for a high level of employment in the construction industry. Further





expenditures on the development of these bases will continue to generate economic activity. There are now new employment facilities in Newfoundland and, as I shall point out, advantage will have to be taken of the points that have opened them up.

Now, Mr. Chairman, while the Newfoundland economy has undergone major changes within the past 15 years, and more particularly since the union with Canada; and while further development based upon its three great natural resources, the sea, the forests and the mines, is in prospect, it is important to note certain basic and continued problems which such development faces.

Newfoundland has since the beginnings of settlement been dependent upon the production of primary products for export. As I pointed out in my brief, one of Canada's banks, the Bank of Nova Scotia in a monthly review in June, 1949, said:

"Newfoundland has been one of the countries most heavily dependent on foreign trade; indeed it is difficult to think of another which could come close to it in exporting so large a proportion of its production and importing so much of its necessities of life."

Its fish, its forest products and its minerals must be exported. With limited agricultural land and resources, its food must be imported. The further development of its resources must likewise be geared to external demand. Depending so largely upon



both exports and imports, the economy is more vulnerable than even that of other provinces producing essentially for export. While it is less vulnerable than when it depended upon the export of fish alone, its resources must compete in foreign markets with resources which are more favourable located. It must therefore produce efficiently and ship its goods by low cost transportation.

The fishery continues to be the principal source of employment. The number of persons employed in the fishery has declined very substantially until today the estimate is some 16,700. Despite the decline in the relative importance of the industry, however, approximately one out of every five of the total labour force in 1951 still relied on the sea for his livelihood. The low productivity of the individual fisherman, engaged in the shore fishery and using primitive methods, has been responsible for an exceptionally low per capita income and for a corresponding low standard of living. These are substantially lower than any minimum standard elsewhere in Canada. The per capita income of Newfoundland in 1952 was estimated at \$623, as compared with \$1,183 for Canada as a whole.

We know economic growth is the result not only of an increase in the supply of productive resources but also of improvements in the productivity of existing resources. Accordingly a programme of modernization and rationalization of the Newfoundland fishery has been under way for some time, including





mechanization and the establishment of freezing and processing plants. This is necessarily a slow and expensive process, and its success will in part depend upon development in other branches of the economy, since mechanization will involve the displacement of large numbers of fishermen. This is necessarily a slow and expensive process, and its success will depend upon other factors.

Now, Mr. Chairman, I want to revert for a moment to the deficiency of social capital in Newfoundland, flowing from the predominance of the fishing economy for so long a period of its history, which has already been referred to. The small, sparsely populated and poor settlements scattered along the 6,000 miles of coast could not afford to pay for even the minimum public services required by modern communities. While with the growth of larger centres and with the advances made since union with Canada there has been a substantial increase in the provision of essential services, there still remains a great deficiency of roads, hospitals, schools, sewerage and sanitation works and other public utilities. This deficiency affects economic development, since the existence of such amenities and public services are a necessary condition for further economic growth. Improved internal communications are of particular importance to industrial development, as are also hospitals, schools and other institutions which industry requires for the communities in which it establishes itself. Technical schools to provide



trained personnel to meet the requirements of mechanized industry are especially required by an economy which for so many years was based exclusively on the fishery.

I submit, Mr. Chairman, on behalf of Newfoundland, that the provision of the basic public services which are now lacking requires a programme of public investment financed by the governments of Canada and of the province in order to raise standards at least to the minimum level prevailing in the rest of Canada. This is necessary to attract capital to Newfoundland which will further develop its resources and diversify its economy, thereby providing employment to the increasing population and raising the income and living standards of the people.

I think I am correct, Mr. Chairman, in interpreting the views of the government of Newfoundland when I say that Newfoundland does not ask for the opportunity to raise her standards to the highest level in Canada. But Newfoundland feels that its people are entitled to live as well as the average Canadian standard permits. The development of these resources by a programme of public investment is necessary because it will be the only way to increase the standard of living of the people, and I submit that the government of Canada must participate in such public investment both because the low income and correspondingly low taxable capacity of the people of Newfoundland make it impossible for the province to provide the necessary finances from its own resources, and because the development of natural





resources which would be facilitated by public investment, such as the construction of highroads, is in the national interest and for the national benefit. The economic prospects of Newfoundland are in large part dependent upon such public investment.

Now, Mr. Chairman, as a commission designed to look into the economic future of Canada, the brief which the government of Newfoundland has submitted to you contains detailed information on the population of the province today, its rate of growth, and the prospects in various industries. I am not going to repeat what I have said. In our section on population the brief shows how the figures which the Premier has given you have been reached. I just want to point out to you that Newfoundland was for many years a country with a net loss of people by way of emigration but, that according to the Dominion Bureau of Statistics, whose report must be accepted, there has actually been an immigration into Newfoundland over the past few years. As a result the present population is estimated at 412,000.

On the basis set out in the report we conservatively estimate that by 1980 the population of Newfoundland will be at least 680,000. I say that is the conservative estimate, because as the Premier has shown you, if there is no emigration or immigration there will be a population of some 726,000. But throughout this brief we have tried to be conservative, and we base our forecasts --



which, Mr. Chairman, I assure you are most hazardous -- on an anticipated population of 680,000 people in 1980.

There is one other point I wish to make on population. That is the urban-rural distribution, which is a very important factor. It is important because it determines the needs and demands for a number of services and various forms of social capital. The brief shows a very interesting fact, that between 1884 and 1934, or a period of 50 years, there was virtually no change in the degree of urbanization in Newfoundland. It is rather a striking fact. In 1884, 35 per cent of the population lived in 19 centres of 1,000 and over, and in 1945 just a fraction more than 34 per cent of the people lived in cities and towns.

From 1945 to 1951 there was a marked change. By 1951 the percentage of the population living in towns of 1,000 or more had risen to 41 per cent, and that meant an increase of 7 per cent in the short space of six years. It is also significant that not only are more people living in towns but they are living in larger towns. In 1884 only 24 per cent of the population lived in centres with a population of over 2,000 but by 1945 the figure had risen to 29 per cent of the population, and in 1951 35 per cent of the population were living in 15 centres of 2,000 and over.

This trend toward increased urbanization can be expected to continue. With agriculture as





a relatively minor industry in Newfoundland as compared to the rest of Canada, and with the trend toward rationalization of the fishing industry and the collection of fishermen into communities of 1,000 or more, the one major reason for a rural population in Newfoundland will decrease in importance. It therefore appears that the next 25 years will probably see a marked increase in the degree of urbanization in Newfoundland. If the 1945 to 1951 trend continues we can expect to find 65 to 70 per cent of the 1980 population living in centres of over 1,000. Some estimates are above 70 per cent, but I have made it clear that in this brief I have tried to be conservative. Unless something extraordinary occurs to prevent it, Newfoundland will probably be one of Canada's more highly urbanized provinces. I need not tell you, Mr. Chairman, that a centre with a population of 1,000 may not be considered urban in some parts of Canada, but we have to think of these classifications in terms of the province in which they are used. Well, so much for population, which is the major factor in considering the prospective growth of Newfoundland.

The brief deals with a number of industries. There is the section on the prospects for forestry. I have already pointed out that from the standpoint of their contribution, the forests are now Newfoundland's most important natural resource. I shall summarize this chapter, Mr. Chairman. For instance, it has been estimated on the basis of the 1951 figures --



and the reason I have had to use these figures is that they are the latest available -- that the forest contributes about 32 per cent of the income of Newfoundland as compared to about 12 per cent for mining and approximately 10 per cent for fishing.

The provincial government some time ago appointed a royal commission on forestry. This commission reported this year, calculating that there are 8,166,000 acres on the island capable of producing pulpwood. The commission found that a very good area of forest remained in addition to the easily accessible supplementary source of timber in Labrador.

I think I am correct in saying that the future prospects of Newfoundland depend in a large measure on the proper protection and management of these forestry resources. Pulpwood accounts for approximately 80 per cent of the estimated value of woods operations in Newfoundland. Most of it is cut by the two pulp and paper companies and manufactured in the province. It is interesting to note that the two companies operate mills which are larger than the average for Canada, apart from the fact that Bowater's itself is the largest operation of its kind in the world. The total pulpwood production in 1953 amounted to 923,435 cords. An increase in the near future to 1,050,000 cords is anticipated.

Further expansion is also anticipated. As the Premier has said, two or three new mills





will probably be established. Pursuant to the conservative approach that I have taken in this brief, we forecast that one more mill will be established within the foreseeable future, which would be on the east coast or at the head of Bay d'Espoir, where there is available a large power site.

As far as markets are concerned, I do not think that if a new mill or more than one new mill were established to produce newsprint there will be any problem of markets, even though it may appear that supply and facilities may be catching up with and exceeding the demand in the United States. It must be remembered that Newfoundland mills have a special relationship with the United Kingdom newspaper owners, and that the United Kingdom is still lagging behind the United States in the consumption of newsprint, in contrast to what was the situation before the wartime controls and exchange controls, etc.

With respect to mining, Mr. Chairman, the brief outlines the development to date with respect to the iron ore which has been mined at Wabana for about 60 years. Recently the underground handling system was completely modernized, and the production there rose from less than 1,500,000 tons in 1952 to about 2,400,000 tons in 1953. It exceeded 2,500,000 tons in 1954, and the production in 1955 is expected to be close to the present capacity of 2,800,000 tons.



The total recoverable reserves of Wabana are unknown, but the estimates range from one to as high as ten billion tons. It is safe to forecast that even if the production of the mine is increased to four or five times its present output, there will be adequate reserves for the next 30 years.

I do not think I have to develop the section of the brief dealing with Labrador. As to the Ruth Lake Mine, which is located in Newfoundland Labrador, all I need say is that the reserves are immense, and will develop at the rate at which the Iron Ore Company wishes them to develop. I do not think there are any problems there.

The zinc-lead-copper deposit at Buchans was discovered in 1905, but it was not until 1925 that a method of separating the fine-grained zinc-copper-lead sulphides was discovered. The mine has produced in large quantities since then. I think it is interesting that at the time Newfoundland entered confederation it was expected that the mine would not have a long life, but that was soon changed by the discovery of a new ore body, and the sinking of the Rothermere shaft greatly increased the life of the mine. The active programme of prospecting and exploration there may bring about an early discovery of further ore bodies. New reserves of copper are now in process of development in the Tilt Cove area, in the Notre Dame Bay area, on the north shore of the island. This is a mine which





has been closed for many years because it ran out of high grade copper. New concentration methods have again made it an economic operation, and copper ore was recently shipped from the Tilt Cove Mine for the first time in 36 years.

The Premier has already told you that St. Lawrence on the Burin peninsula is one of the principal centres of fluorspar production in the world. Fluorspar is a flux used in smelting iron ore and bauxite. It was described by the dominion Department of Mines as one of the highest grade concentrates in the world. In 1954 the two companies located at St. Lawrence produced the entire Canadian production of about 108,000 tons.

Then there are the limestone and gypsum deposits, which section I need not develop. In each case the reserves are very extensive.

There is a present programme of exploration which is very extensive, and the government has succeeded in interesting in this programme some of the principal mining and mining exploration companies in England, in Canada and in the United States. I have described in the brief the regions which show promise. I have also outlined some of the problems which face mineral exploration in Newfoundland. Many of the promising areas are heavily timbered, and there are very few outcroppings over the island to indicate minerals which may lie under the surface. The copper producers of the late 1800's were along the coast and were among the few



outcroppings on the island. The mine at Buchans was discovered in 1909 because of outcroppings of the ore. But these are the exceptions. Another difficulty is the great depth of the glacial cap. The difficulties of the terrain have lead to the necessity of using air surveys, electromagnetic and aeromagnetic, and to the use of such new techniques of surveying as geochemical surveys.

The prospects are promising for further mineral development. It is a conceivable forecast that, including the further development of iron ore in Labrador, there will be a doubling of the mineral output on the island by 1980. If the situation continues as at present I think we can safely say that markets are pretty well assured. For example, the Paley report has indicated that by 1975 the United States will have to import large quantities of iron ore, and it looks to two sources, Labrador and Venezuela, to provide some 65 million tons annually. Future markets for lead, zinc and copper are also reasonably assured, as are likewise the markets for fluorspar.

There is a lengthy section here, Mr. Chairman, on the problems of what has been for some years the basic industry of Newfoundland, that is, the fishery. While I pointed out to you that there has been a reduction in the number of persons employed in the fishery from some 40,000 during the period of the first world war to some 16,000 or 17,000, I want to point out that even at this figure a con-





siderable part of the labour force in Newfoundland continues to rely on the sea for its livelihood.

The problems of the fishery are set out on page 64 and following in my brief. The economic position of the inshore salt codfish industry there is described as precarious. Estimates of the average catches of inshore fishermen varied from 35 to 50 quintals a year, and when one considers that the average price paid to the fisherman for a quintal of salt cod rarely rose above \$9 and was often as low as \$3 it becomes apparent that the fisherman has never been prosperous, even during a good year, and that during a poor one he has been absolutely destitute. In the 1930's it was not uncommon for as much as one quarter of the population to be on poor relief during the winter months.

The economic problem of the inshore fishery is basically that of a low average productivity, a fact clearly recognized by Professor H. B. Mayo, who wrote in 1951 that "as presently conducted, the Newfoundland fisheries, and more particularly the shore fishery, cannot hope to provide a reasonable income for the fishermen engaged. The problem comes down to the low catch per man." But, as the Premier has indicated, it is terribly unstatesmanlike to write off the fisheries, as some people are writing off the fisheries of Newfoundland. There has been an attempt to improve the situation by mechanization, by changing to draggers and long-liners, and the trend in the past few years has been interesting



both with respect to the salt cod fishery and the fresh-frozen fishery. I thought I might develop that a little, Mr. Chairman, if perhaps we could first have a recess for a few moments.

--- Recess.

--- After recess.

Mr. Chairman, at adjournment I had completed what I was going to say about the inshore fishery. I pointed out the fact that its basic problem is that of low average productivity, the low catch per man.

The offshore fishery until recently depended upon schooners and dories which fished off the Labrador coast and the Grand Banks. The Walsh report (1953) estimated that even the most productive offshore fishery, which was the deep sea dory-schooner fishery on the Grand Banks, produced only about 100 quintals per man per year. While this was double the product of the inshore fisherman, it must be remembered that this type of fishing was, in relation to the inshore fishery, highly capitalized. As in the case of the fish caught by the inshore fishermen, the bulk of the produce of the offshore fishery still had to be salted and dried. I think I am correct in saying that both the offshore fishery and the inshore fishery suffered from low incomes.

In the past decade there has been a trend toward a more highly productive technique, which has provided more profitable employment for





an increasing number of Newfoundland fishermen. This technique involves the provision of draggers, trawlers and long-liners to replace schooners and dories, filleting plants to replace cod flakes, and refrigeration to replace salt. The number of draggers and trawlers in operation increased steadily with a corresponding increase in the number of processing plants. In 1939 there were only five such plants. In 1951 the filleting and freezing plants had increased to 17, 4 filleting non-freezing plants. It has been estimated recently that there is a capacity built or being built equal to almost twice the present Newfoundland shipments of frozen fish to the United States market. Therefore that past period of very rapid expansion may be followed by a period of consolidation.

As far as the future is concerned, it is not a matter, as in the case of other industries, of supply. The supply of fish in Newfoundland waters appears to be nearly unlimited. The question is markets. There has been an interesting trend, a shift in the markets for salt cod. The sale of salt cod shows a shift from the European markets to the West Indies, Jamaica, etc. This is quite marked, as appears from table 7, page 72 of my submission. The reasons are mainly currency problems and protectionism in the consuming countries. The dollar shortage has forced some of Newfoundland's European customers to place import quotas on fish from the dollar area, and has also encouraged some countries



to build and maintain their own fishing fleets.

Another important point which I should like to draw to your attention is table 8, which shows the trend in the exports of salt cod since 1857. Early in the present century, exports reached a peak of about one and a half million quintals per year, but they have declined, although erratically, until in 1953 only 653,000 quintals were sold, rising to 780 thousand quintals in 1954.

In contrast to the downward trend of salt cod, there is an upward trend in the production and export of fresh frozen fish, especially filleted groundfish, mostly cod and haddock. That appears in table 9, page 75. Production of frozen groundfish in 1939 was 788,518 pounds, rising in 1954 to 53½ million pounds.

In considering the economic position and the future prospect of the salt cod fishery it is important to note, on the demand side, that the product is strongly entrenched in the diet of the tropical Catholic countries where its high protein, high salt content make it an excellent staple food. The population of these countries can be relied upon to increase in the next 25 years, thereby increasing the quantity which the market can absorb.

On the supply side, whether the supply will be available depends in a large part on the income to the fishermen. I have pointed out to you that that income has been very low; that many fishermen have left the fishery, and that unless some





improvement appears more fishermen will leave the salt cod fishery, although I think it is wrong, as I said a few minutes ago, to write off that industry.

I said it would be wrong to write off the production of salt cod. I don't know if the people engaged in the industry will agree with me. It would be economically rash to expect the output of fresh frozen fish to expand without limit. There is definite sign that the recent rapid expansion may be followed by a period of consolidation. Although Newfoundland is ideally located in relation to the fishing areas and the United States market, her fishery must face the competition of Iceland and Norway. At the present time the United States consumption of imported fresh frozen fish amounts to roughly 100,000,000 pounds, of which Newfoundland supplies about half. Newfoundland has plant capacity built or being built which could supply the total United States market; and considering its economic advantages, it may be able to get a substantially larger share.

We do have to bear in mind, however, that the United States is not a fish-eating nation, and we forecast that the total consumption of imported groundfish into the United States by 1980 will not be more than double what it is at the present time. If the Newfoundland fishery manages to expand its share of the market to 75 per cent, we might look for a three-fold increase in the production of fresh frozen groundfish. But this will mean only about a



50 per cent increase in investment in fish plant capacity, over and above the plants now in existence or under construction.

There are other fish products here, lobster, salmon, herring, but the salt cod and fresh frozen fish account for about 80 per cent of the Newfoundland fishery. There is a great deal to be done if the industry is to survive on an economic basis, Mr. Chairman. A considerable amount has already been done, and Newfoundland feels that further federal-provincial cooperation in this field is essential.

Mr. Chairman, I have a small chapter on agriculture. This is not a province where agriculture is a major industry. It is one respect in which Newfoundland differs fundamentally from, I think, all the other provinces of Canada. Even British Columbia, I think, has an agricultural industry. Agriculture is a minor industry here. It employs about 5 per cent of the total population. The rural industry of Newfoundland, of course, is fishing.

It does not follow that there cannot and will not be developments in agriculture. What I said about the present state of the industry was a correct statement, but there are possibilities which were pointed out in a report by Dean Shaw's royal commission on Agriculture, which was submitted this year. I hope you will note, Mr. Chairman, that this province knows royal commissions. There have been two major reports this year.





THE CHAIRMAN: And a royal commission for preparing a brief. That is a good one.

MR. GOLDENBERG: The Shaw commission pointed to a possibility which, if followed up, will lead to increased commercial farming in Newfoundland. The type of farming which has characterized the Newfoundland economy up to the present has been supplementary farming, which does not necessarily lead to the development of an industry.

To show you what could happen, the provincial government, since union with Canada, has encouraged poultry raising -- I am not disclosing any secrets when I say the Premier himself is very interested in farming. Poultry raising has been encouraged to the extent, that Newfoundlanders have raised the share of the market which is locally supplied from 10 to 30 per cent. That is since union; and it is anticipated that within the next 25 years all the local demand will be met by local production.

The possibilities of fur farming are now beginning to be recognized. While the figures for the agricultural outlook are declining it is only because there is a trend away from supplementary farming. Supplementary farming has tended to vary inversely with the success of the inshore fishery. When cod is plentiful and the price is good, the fisherman can afford to purchase his vegetables rather than grow them, and can afford not to undertake the laborious task of cutting bits of hay by hand from



incredibly small, widely scattered, fenced in grassy areas in order to keep his cow or goat fed during the winter. On the other hand, as Dean Shaw's commission pointed out, output could be expanded.

This is one province which does not face the problem of finding markets for agricultural products. The market is here. Newfoundland's problem will be that of meeting a steadily growing local demand. I think the other provinces concerned with agricultural products and markets will envy Newfoundland. I believe I am correct, Mr. Premier, in making that statement. Newfoundland's problem is not to find markets for such products as she may produce. Her problem will be to meet a steadily growing local demand.

The other consideration affecting agriculture in Newfoundland is that there is no farming tradition. Farming is a way of life, and it takes years to develop a farming tradition. That is now being done. The Shaw commission drew attention to certain possibilities in Newfoundland which offered prospects which have not received consideration in the past. I think the premier would like to deal with that section of the brief.

MR. SMALLWOOD: Mr. Chairman, I do not want to cut in at all on what Mr. Goldenberg is saying and will continue to say, but this happens to be one phase of our Newfoundland picture with which I am very familiar, and in which I am intensely interested.





I was out to Alberta a few days ago, on my second visit. I was accompanied by my son in law, a practising farmer, and a good farmer. We went to Calgary and travelled out from Calgary to the old Burton ranch and over some other terrain, to some dry feed lots. Then we went to Lethbridge and travelled out of Lethbridge for two days -- and hard at it too -- under the experienced guidance of a man named Ernie MacFarland, who knows the area. We visited a number of ranches in the foothills. We went to the Burton ranch. The gentleman from Saskatchewan will know that the Burton ranch is famous; and we went to several other ranches in that area. We went also to the Hunter brothers ranch, famous breeders of Hereford cattle. Then we spent most of the next day on Herman Linder's ranch. He was probably the greatest cowbody in Canadian history and the champion cowboy of the United States, Australia and Canada for years. He retired undefeated. He is a very successful rancher. We saw thousands and thousands and thousands of beef cattle grazing.

This was only last week, and this is late in the year. I was very familiar with the condition of our grass here in Newfoundland. Just a few days before that I had left to go to Ottawa and on west, so that a week or less later I was looking at the wild grass in the foothills of Alberta. I admit that it is excellent grass. It is good grazing. There is no doubt about that. That is good grazing in the foothills and there on the prairies.



Last year, or early this year, we sent our deputy minister of agriculture on a trip. Mr. P. J. Murray is himself a farmer, was born on a farm and still operates a farm as a sideline although he is our deputy minister. He is a practical farmer, and also has his B.Sc. in agriculture from Macdonald College. We have sent him to many parts of the world. He is a very experienced and knowledgeable man in practical farming. We sent him out to the prairies this year, into British Columbia and down into the United States. He did a lot of travelling in Utah and Wyoming and right across the States. Wyoming is, of course, a very considerable cattle and sheep country. He too is very familiar with our terrain and the kinds of grazing and wild grass we have here in Newfoundland, and he came back and reported to me that they have nothing in Wyoming which even compares favourably with Newfoundland for wild grazing.

It may come as a startling and unbelievable fact to you gentlemen that Newfoundland has literally millions of acres of crown lands, open country, with remarkable wild grazing, native grasses that are very nutritious. I will admit it is not as nutritious as that prairie grass which dries on the stalk, so to speak, and is dry hay that you have no need to cut or harvest, and which is excellent feed for cattle. It is not as good as that, but it is away ahead of Wyoming.

That means, if it means anything, that





we can feed very large numbers of cattle and sheep in Newfoundland. Any farmer in Newfoundland will tell you that he can operate if he can rough his cattle and sheep over the winter, somehow or other, even if they are half starved, because we are not a grain-growing country. All he can give them is a bit of dry hay, and frequently that hay is not very good, not even as good as wild grass. If he can get them over the winter somehow, then in the spring they stagger out of the barn, half-starved, and go out on the wild grass and they come back butter fat in the fall. I have seen that myself hundreds of times, and there are many people in Newfoundland who would confirm that fact. They come through, a hungry winter and go out in the spring and summer and come back in the fall as fat as butter. It is astounding how rapidly they gain weight and put on fat on our wild native grass.

Unfortunately, however, we have virtually no cultivated land in Newfoundland. If a man has a couple of hundred acres of cultivated land in Newfoundland, growing grass or anything else, he is an aristocrat of farmers. There are not ten in Newfoundland. The biggest farm in this whole island is the Bowater's farm on the Humber river, which is 350 acres. In all Newfoundland that is the biggest farm. The next biggest is about the same size. This year it will go a little beyond that, and will be close to 400 acres next spring. But when you leave these two you drop down to around a couple



of hundred acres, and we only have three or four like that. Below that there are a few at 100 and 120 acres and around there, so we may say we have no cultivated land in Newfoundland, or practically none.

Therefore you cannot grow winter feed. You can summer feed cattle. On our barrens, on our muskeg and bushes, in the open country, we could easily summer feed a million head of sheep. And you could easily summer feed a quarter of a million head of beef cattle, but you would have to starve them to death in the winter. The problem is, can you feed them in the winter?

Now we think we have been told how to solve that problem. Various agriculturists who have come to Newfoundland have been tremendously interested, as you gentlemen would be if you had the time to get around, in our great bogs. One of you gentlemen, I believe, is from British Columbia and would know Lulu Island. I was on Lulu Island two or three years ago. You will recall that as you drive along the road, on either side of the road, running parallel with it, there is a deep ditch -- I am speaking from memory -- about ten feet wide and perhaps seven or eight feet deep, with black water running through it. Running off at right angles from these deep ditches are smaller ditches, not so wide and not so deep, which drain the surrounding country. That, as I saw it, is one vast black bog, very similar if not exactly identical to our bogs in Newfoundland,





anyway extremely similar.

MR. GRAUER: It is unique.

MR. SMALLWOOD: It is not unique, because we think we have literally millions of acres.

THE CHAIRMAN: Mr. Premier, he is a farmer and was, I think, born in that area.

MR. SMALLWOOD: Well, I am a farmer, and I have seen bogs too. I may not be a bog-trotter, but everyone in Newfoundland is very familiar with bogs.

Seriously, that island's bog is amazingly similar. Dean Shaw, who knows that area intimately and is perhaps the greatest scientific agriculturist that Canada has produced, tramped over our bogs. We brought in a man from Norway. He just returned, and unfortunately I missed him. He flew around Newfoundland, and Dean Shaw and Mr. Murray accompanied him and nearly lost their lives half a dozen times while flying. This Norwegian tells us that our bogs are amazingly similar to those of Norway, where they have done so much draining of bogs. We have a man coming in now from Ireland who has been in charge of the vast bog draining programme there.

We had Dean Shaw and Mr. Murray visit Scotland and Northern Ireland and Denmark to examine the bog draining there, and we believe that it may turn out to be feasible and economically practical to lower the water table -- if it is practical to do it on a thousand acres it is practical to do it on a million acres -- by two or three feet on



large areas of bog lands which are extremely rich in humus.

I will give you an example. This year among other experiments we made this little experiment. In our bogs there may be berry bushes and gouldwithy bushes here and there, and in the centre is a hollow which forms a little lake, which in summer time dries up. Then what you have is a dry bog. We took such a bog this spring and sprinkled a little limestone over it. It is very acid. We did nothing further. We just added a little limestone and seeded it with various grasses. Today that grass is up to your chin.

We think one of our real possibilities is that we may reclaim from nature long tracts of this black bog land, which is level, with no rocks, if we can lower the water table. We have the equipment coming; in fact it is about to arrive now. It has been ordered from the firm that makes it in Scotland. We think we will go out on these bogs with tractors with a very wide track, in fact about six inches between the two inner edges, going down so that the edge is almost under water, and haul other equipment behind. We think we can do this. If we can, we have the summer feed and we can produce the winter feed from these bogs.

We are experimenting on that. If it turns out to be so, remember the grass will grow on these bogs not to produce the ton or ton and a quarter or ton and a half we are glad to get on





cultivated land in Newfoundland, but perhaps twenty tons to the acre. I could take you right now to see, or could have taken you a month ago -- I don't know how it is right now -- bogs in Newfoundland where a little cultivation was done and where Kentucky rye grass grows so high I could walk through it and you would not see me. It is over my head. You would not need to cure it. Chop it, blow it and ensile it in bumper silos. My son in law has done that. This year he has three hundred tons, and he feeds virtually green grass to his cattle. In the maritimes you will hear about that, no doubt.

In Nova Scotia you will find that in the last half dozen years three remarkable things have happened: the production of grains has fallen off to practically nothing in Nova Scotia; the importation of grain into Nova Scotia from other parts of Canada has fallen off to practically nothing. So you would expect that the animal population likewise had fallen off to practically nothing. It has gone up considerably, and it has gone up because of green forage and the bumper silo. They cut the grass green and don't even let it wilt in some cases. They chop it, blow it, roll it and dump it in a bumper silo, run a tractor back and forth over it, press it down tight, cover it with limestone to airseal it, and let the cattle self-feed through the winter. It is just as though they are out on



green pasture right through the winter, and the cattle population of Nova Scotia has gone up very considerably.

We think, we are crazy enough to think, we can work out this bog thing. As I say, we are experimenting. The results so far are not conclusive, but if we can do that we can become a fairly considerable beef cattle and sheep province in Canada. You did not expect when you came down here, I am sure, Mr. Chairman, to hear anyone actually suggest that Newfoundland might become a fat province. And I do not suggest it from the standpoint of root crops. In that respect we will never be any more than a place in which a little gardening is done, or even in dairy cattle, although this grain would make the keeping of dairy cattle so much cheaper than it is now, when milk is a thing that you have to be pretty well to do to drink at all. I do not mean tinned milk but fresh milk, which sells for 32 cents a quart. That means that thousands of our Newfoundland people would almost regard it as a sinful luxury to drink milk. And the idea of a family taking a gallon of milk a day or five quarts to feed a household of growing children --that idea is desirable, but it is just crazy, really. The result is that the vast majority of people in Newfoundland never drink milk. It is out of their reach because there is not enough land to grow feed for the cattle, and even the dry hay and every ounce of cattle feed are imported. Well this, if it works, might even have a big effect on dairy cattle in Newfoundland.





It might perhaps give a living to two thousand people in Newfoundland if these things work out, and we go to great lengths in Newfoundland to get an industry that will employ a hundred people, or a couple of hundred people. The great Bowater's paper mill in Corner Brook does not employ over 1,000 men inside the mill. I am told it is 2,300. I am amazed. I am flabbergasted. I remember when it was five or six hundred or six or seven hundred. I remember when it climbed to close to a thousand, and now there are 2,300 men working in the mill itself. Well, that mill has cost a hundred million dollars to put there. Far less than a hundred million dollars, far less than a half or a quarter of that spent draining bogs and making some loans, perhaps, to cattle ranchers might very well establish as many as 2,300 and more than 2,300 men on the land in Newfoundland. Then we could have our rodeo and cattle stampede in Newfoundland too, along with ranching.

MR. GOLDENBERG: I want to proceed, Mr. Chairman, to say a few words about secondary industries. I am not going to say much on these industries, but I would read what I have said on page 93. In talking about the secondary industries we are not talking about the export industries like pulp and paper and fish products. The secondary industries here, local industries, at the time of Confederation were relatively small.



To provide more diversified employment, the provincial government launched a bold programme of encouraging the establishment of new secondary industries which was in some respects reminiscent of the United Kingdom's attack on unemployment in the so-called "special areas" before the last world war. The programme required financial assistance from the government for several reasons. The deficiency in public services, such as lack of roads and communications, and the absence of a skilled labour force trained in the techniques and discipline of a modern manufacturing plant, tended to discourage development. Since a substantial industrial expansion tends to help create the conditions necessary for future expansion, it may be said that industry breeds industry. Accordingly, the government undertook to assist in financing the establishment of a number of new industries. These have already been enumerated in this submission.

I come back again to what I might call the major theme of my brief, primarily the deficiency in public services, the lack of roads and communications. The absence of these is always felt.

It is too early at this stage to assess the degree of success of each of the industries established under the government's programme. It is well to remember that as far back as 1925 government guarantees were necessary for the establishment of the pulp and paper industry in Corner Brook, the British government guaranteeing the principal and





interest on one issue of debentures and the Newfoundland government on another, and some years were to elapse before the operation could be termed successful. Of the new industries established since the union with Canada, it may be said that some have taken root and that others show signs that they will overcome the initial problems of new enterprises.

The prospects of secondary industries in general depend upon three factors: the basic industries, population and income. And expansion of investment and employment in secondary industries may result from a new development involving the processing of the product or by-product of a basic industry, or from an increase in population, or an increase in the income of the existing population.

It has been estimated that the population of Newfoundland will rise by 65 per cent in the next quarter century. Assuming that personal income will increase by 2 per cent per year, which I think economists will agree is a very conservative estimate, the resultant rise in purchasing power will lead at least to doubling the employment in this sector of the economy in the next 25 years.

I come now, Mr. Chairman, to a major prospective development in Newfoundland, and that is power. I have been forecasting a certain growth in the forestry industry and in mining and certain developments in the fishery and in secondary industries. We know that the economic growth of Newfoundland in the next 25 years and the changes which will flow from it will involve a considerably



greater utilization of energy sources than in the past, and the development of these sources will in turn stimulate further economic growth. The energy potential of the island is considerable, while that of Labrador is vast. The most important source of energy is hydroelectric power.

Installed horsepower at the end of 1954 amounted to 323,150, about 1.9 per cent of the turbine installation of Canada as a whole. Of this total, central electric stations, plants which generate power for sale, had an installed capacity of about 126,850 horsepower, and another 182,300 horsepower were installed by the pulp and paper mills to generate power solely for their own operations. The remaining 14,000 horsepower comprised waterpower installations of the mining industry -- Buchans Mining Company and the Iron Ore Company -- for its own use. Next in importance is the Avalon Peninsula, particularly the St. John's area, where seven generating stations of the Newfoundland Light and Power Company and four stations of the United Towns Electric Company have a total installed capacity of some 65,000 horsepower.

The estimates vary considerably, but it is agreed there remains a very large unexploited power potential on the island itself which, given proper economic conditions, could be developed. In addition the untapped resources in Labrador are tremendous.

The greatest potential on the island exists on the south coast in the Bay d'Espoir area,





where the surveys which have been carried out indicate that a capacity of 280,000 horsepower could be installed on the Salmon river with the Grey river diversion. Surveys have also been made of the Bay du Nort river, which is close by, and it is estimated that another 50,000 horsepower could be developed along this river. It seems probable that the White Bear and Long Harbour rivers, also on the south coast, have a considerable power potential, but these rivers have not been surveyed to determine if there are sites available, and since there are no stream flow data, no reliable estimates can be made.

On three rivers in the northeastern section of the island, the Terra Nova, the Gander and the Exploits, sizeable installations are possible. Making allowance for 86,500 horsepower already developed there ~~remains~~ available, of the 138,000 horsepower on the Exploits river, some 51,500 horsepower.

Tentative estimates of 120,000 and 75,000 for these two rivers respectively were reported by Donald Ross & Co., in their industrial survey of the resources of the province of Newfoundland. Excluding the power which is theoretically available on the Exploits, there remains a total potential of about 182,000 horsepower on a good-sized river in the northeastern section of the province.

It is possible that small amounts of power might be developed from the little streams and lakes feeding into Deer Lake which have not



already been developed by Bowater's. The figures of the water power resources division would indicate that the available 24-hour power at 80 per cent efficiency amounts to 36,000 horsepower.

There are in addition a large number of small streams scattered over the island which would be capable of supporting installations of 1,000, 2,000 or 3,000 horsepower. Making an allowance for these small streams, it is a conservative estimate that there are at least 600,000 horsepower on the island capable of being developed, given the proper economic conditions.

The potential of the island is dwarfed by the tremendous capacity available in Labrador, which includes one of the largest potential power sites in the world on the Hamilton river. It is interesting, Mr. Chairman, that we who live in Canada are very much excited these days by the development of the St. Lawrence seaway and power development. Well, the potential at Grand Falls alone is estimated to allow for an installation of up to 4,750,000 horsepower, almost five times as much as will accrue to your province, Ontario, on completion of the St. Lawrence power project.

MR. GORDON: Any chance of getting some of that power?

MR. GOLDENBERG: I will make a statement on that, Mr. Chairman. Preliminary reports point to the economic exploitation of this great resource within the foreseeable future. Whether this





means primarily an aluminum industry or smelters I do not know, but it has been suggested in preliminary estimates that the power of the Hamilton river could be tied in with the grid in Quebec, which in turn ties in with Ontario. Whether that would be in the best interests of Newfoundland I do not know.

THE CHAIRMAN: It depends on the business.

MR. GOLDENBERG: That is between yourselves.

Now as far as the prospective demand for power is concerned, our large power users are the largest single class of consumers in Newfoundland. In 1953 they almost doubled their 1950 consumption.

In the forecast we make in this brief we do not envisage a doubling every four years. For one reason, there would not be enough power. Nevertheless, on the basis of forecasts of industrial expansion in the mining and fishing industries alone and technical improvements and innovations and more mechanization, it may be conservatively estimated that by 1980 power consumption by large users will be two and a half or three times the present level. If a smelter is established the increase will be much larger. In addition the pulp and paper industry, which I have not included under the heading of large power users, as the pulp and paper industries generate all the power they use, is expected to expand by about 20 per cent in the next quarter century, and since it now has an installation of



182,300 horsepower, the anticipated expansion will require an additional power-generating capacity of over 37,000 horsepower, without making any allowance for increased consumption per unit of output as the result of technological improvements. If the expansion as anticipated in this brief, by about at least 30 per cent in 25 years, takes place, it will require an addition capacity of 40,000 or 50,000 horsepower, if we think in terms of the present relationship to the power being used.

As far as the domestic consumption of power in Newfoundland goes, the present per capita consumption of electricity in Newfoundland is below that of any other province in Canada except Prince Edward Island. In 1953 the annual consumption per person was 188 kilowatt hours, as compared with an average Canadian consumption of 668 kilowatt hours. A rapid rise in the figure for Newfoundland may nevertheless be predicted. In the short space of one year, from 1952 to 1953, while average Canadian consumption per customer increased by over 7 per cent, the increase per customer in Newfoundland was more than 12 per cent. Further increase must be anticipated with the expected increase in population and in income and with the movement of households into larger centres of population where electricity is, or will become, available. On the basis of the forecasts it is assumed that the total consumption in 1990 will be 128,000,000 kilowatt hours, or a more than sixfold increase. There will be an





increase, of course, in municipal power and commercial power.

On the basis of the foregoing analysis, after allowing a small amount for free services and about 12 per cent of the total for line losses, it is reasonable to forecast that power consumption on the island by 1980 will be in the neighbourhood of one billion kilowatt hours, almost four times the generation of power by central electric stations in 1953. In terms of installed capacity, this four-fold increase in consumption, assuming a constant ratio between capacity and output, would mean an increase in the installation of central electrical stations.

The next 25 years should therefore see the development of at least an additional 400,000 horsepower including the 20 per cent increase required by the newsprint industries and the added requirements of the mining industry. If a smelter is established the increase will be much larger.

Even if future needs should prove to be larger than has been estimated, it has been shown that Newfoundland, with a minimum of 600,000 undeveloped horsepower, will be able to meet them. It seems probable that a considerable part of the mining development and some of the expansion in the fish processing industry will take place in the north-eastern section, where there is a considerable amount of undeveloped power on the Gander, Exploits and Terra Nova Rivers. The establishment of the proposed new



paper mill in this area would lead to the development of much of the available power. If, on the other hand, the mill is located in Bay d'Espoir area, where there is not only adequate power but also a year-round port, it should lead to the exploitation of the very large power potential which exists there, even if a smelter is not built.

The development which will take place in Labrador will depend on factors external to the province of Newfoundland. If industry, such as an aluminum smelter, should locate at Seven Islands, it would make economical the exploitation of some of the tremendous potential on the Hamilton river. Even in the absence of industrial expansion near Grand Falls, it is probable that with the ever-increasing demand for power and the continual improvement in methods of transmission, the cheap power resources of the Hamilton river will be tapped within the next 25 years.

So much, Mr. Chairman, for the prospects of the principal industries of Newfoundland.

The growth in population in Newfoundland and the industrial development which may be conservatively anticipated will necessarily create requirements for social capital; and the rate at which the economy will develop in the next quarter century will depend in part upon the provision of amenities and services which are now grossly inadequate, while further economic development will in turn create a need for





more social capital commensurate with the changes incidental to such development. The prospective requirements for social capital are varied and substantial.

We shall deal first with housing. It is clear that there must be a very large investment in housing development within the next quarter century if the people of Newfoundland are to be properly housed. The demand for new housing will increase with an increase in the number of people, an increase in incomes, regional shifts in population, the trend toward urbanization, and the replacement of worn-out houses. The principal stimulus in the next 25 years will be the increase in population, which according to the estimates herein submitted should be in the neighbourhood of 680,000 by 1980, an increase of some 270,000. If we assume that there will be no improvement in the persons per room ratio, and that the figure will remain at 0.9, the additional 270,000 persons will require a further 300,000 rooms. Expressed in terms of six-room houses, the projected increase in the Newfoundland population would require the construction of an additional 50,000 units.

It is to be hoped that the second major source of demand for housing will stem from an increase in the incomes of the people. As compared to the rest of Canada, there is overcrowding in Newfoundland. The average Canadian consumes about 1.43 rooms, whereas the average Newfoundlander has



only 1.1 rooms. It seems reasonable to assume that in the next 25 years Newfoundland will at least approach the present Canadian standard of 0.7 persons per room. In order to attain this standard of housing an additional 204,000 rooms must be provided in Newfoundland, the equivalent of another 34,000 six-room houses.

It is difficult to predict with exactness what the shifts in population will be, because there will be people moving out of these areas into others and others moving in. We make an estimate here for another 3,000 houses because of the shifts in population. Finally, there will have to be replacement of houses which have been condemned, and those which anyone who visits St. John's can see should be condemned and replaced.

On the foregoing basis the minimum demand for housing in Newfoundland over the next 25 years, in terms of six-room houses, would be 90,000, or 3,600 units per year. Even at a low average price per unit this would represent a very large annual investment. The Premier has said to you this morning that even at \$10,000 a house this means \$36 million a year. It sounds vast. It is vast. But I want to point out to you, Mr. Chairman, that even if this programme of housing development is realized, at the end of 25 years the Newfoundland population will still be less well housed than is the Canadian population as a whole now. That is why I tried to stress earlier the fact that in talking





for the government of Newfoundland I am not asking for the maximum standard which exists in Canada. We are asking for a livable Canadian ~~st~~andard.

There is no guarantee of course, that the vast programme which I have mentioned will be carried out. For example, the Dominion Bureau of Statistics estimates that from 1950 to 1954 only 6,428 homes were completed in Newfoundland, or slightly under 1,300 units per year. In view of Newfoundland's needs that is an appallingly low rate of investment; it is even insufficient to maintain housing standards at their present low standard. It is estimated that from June 1, 1954, to June 1, 1955, Newfoundland's population increased by 14,000. If these new individuals were to have even 1.1 rooms each, 15,400 additional rooms would be required. However, in that period only 1,044 units were completed, and even if each averaged seven rooms this would represent an addition of only 7,308 rooms or less than half the number of rooms required to maintain the present unsatisfactory level of accommodation. The estimate in this brief with respect to housing is conservative.

The next requirement with which we ~~deal~~ in the brief is roads, and I want to submit that one of the principal factors retarding the social and economic progress of Newfoundland is the absence of a network of roads. The standard of road service is very low and you can understand, Mr. Chairman, how this affects the economy.



Lack of roads increases the cost of installing and maintaining both public services and private industries. Any number of examples can be cited. In Newfoundland we have to take into account also the non-monetary costs involved in the lack of roads and communications. Absence of fast and efficient methods of transportation means that diets will be deficient in such important foods as fresh milk, fruits, vegetables and meats. Isolation of communities encourages inbreeding, discourages routine medical and dental care, and prevents the normal interchange of cultural, educational and sports activities which are common in other provinces.

The next 25 years will require a huge investment in roads to establish minimum standards. I am not therefore suggesting that Newfoundland be brought up to the high standard of Canada generally. As the Premier ~~pointed~~ out, the minimum road programme would mean \$93½ million, excluding the trans-Canada highway, and an additional \$60 million for the trans-Canada highway.

With respect to water and sewerage systems, there has been considerable progress since union with Canada, although there is still a deficiency in this service. Three factors will determine the demand for this service: income, the degree of urbanization, and the cost of installation. It is forecast that a total





expenditure of \$6,500,000 can be foreseen on new systems in existing urban centres and on existing systems. This forecast does not take into account the expected increase in population and in urbanization. Investment in water and sewerage systems arising from increased urbanization and increased population will be about \$17 million. The total for the next 25 years may be estimated at about \$23,500,000 or a little less than a million dollars a year, which, by the way, is just about the present rate of expenditure.

The Premier has already given you the figures on hospital beds, both general hospitals and mental hospitals. At present construction costs of at least \$10,000 per hospital bed, the capital outlay involved in achieving and maintaining a standard of five general hospital beds per thousand of population over the next 25 years will be about \$19 million. This is exclusive of maintenance and replacement costs. Capital expenditures on the construction of hospitals and training facilities over the next 25 years will have to approximate \$35,000,000.

Schools, of course, impose high capital costs, because of the tremendous increase in school populations. Newfoundland shares that experience with the other provinces, although the rate here is exceptionally high and there is a backlog in the construction of adequate facilities. It is a very serious backlog. Newfoundland has not only to



make up for the deficiencies in present school buildings but to provide for the increasing annual requirements. There is also the growing requirements of the university which is dependent upon the economy of the province. It is estimated that there will be 150,000 school children in 1980 compared with about 93,000 in 1954, and we estimate a net addition of roughly 2,200 classrooms in the next 25 years.

In view of the bulge in population which is working its way through the school-age groups, and which will continue to do so until the birth rate drops, it seems apparent that the building programme will have to be concentrated in the early years of the period covered by this survey. Some \$35 million in capital expenditure will be required to meet the minimum educational needs of the province of Newfoundland during the next 25 years.

Now, Mr. Chairman, I have covered what we consider to be the major requirements for social capital. There are others, but it would take many hours to deal with them adequately. Therefore I propose to conclude by reading the final chapter, with some comments, so that I may conclude my presentation before the luncheon adjournment.

In this submission, Mr. Chairman, the major sectors of the Newfoundland economy have been examined, and, on the basis of various assumptions, attempts have been made to forecast develop-





ments and related requirements in the next quarter century. I want to make it clear that the forecasts are necessarily submitted with reservations. Long-range economic forecasting is at all times difficult and hazardous. It is particularly difficult in the case of an economy such as that of Newfoundland, which in respect of both population and industry is a relatively small area, since the difficulties attendant on such forecasting may be said to vary inversely with the size of the region under consideration. A new mineral strike or the establishment of a large smelter would cause a small relative change in the total economy of Canada as a whole, but such a strike or such a smelter would have an appreciable effect on the economy of a comparatively small region like Newfoundland.

With respect to the private sector of the economy, it has been shown that each of the basic industries of the province faces a period in which expansion innovations and changing techniques in production will call for substantial investment. The most complex problems confront the fishery, and it is this industry which is likely to undergo the most radical changes. If Newfoundland is to improve the economic welfare of a large segment of its population, the present low productivity of the inshore fishery must be greatly increased. Mechanization of the industry has proceeded at a rapid pace since the end of world war II, and it is hoped that this rate will continue. Whether



emphasis in the future is laid on the long-liner or the small dragger or on some new boat is unimportant; it is imperative that productivity per fisherman be raised appreciably.

As to fish processing, the immediate problem of the fresh frozen fish plants will be to expand markets in order to utilize fully the present planned capacity of 100,000,000 pounds per annum. The expansion of this phase of the industry will be geared thereafter to population and income growth in the United States, and to the success which is met in opening up new markets in Europe, Asia, Australia and New Zealand. A large investment of private capital will be necessary if current experiments in the handling, salting and artificial drying of cod prove to be successful. It is possible that the declining salt cod industry, which has provided a mere subsistence living for such a large part of the population, will be revitalized in such a way as to enable it to provide a decent livelihood for those engaged in it.

While the greatest transformation will probably take place in the fishery, the largest expansion is likely to occur in the mining industry. Making no allowance at all for the vast potential of Labrador, it is forecast that the next 25 years will see a doubling of mineral production in Newfoundland proper. The opening up of new mines and the expansion of existing operations will





involve a large capital expenditure, and if a smelter should be built the investment will be considerably greater and employment opportunities enlarged. These developments together with a greater exploitation of Labrador's potential could mean a threefold increase in the contribution which the mining industry makes to the province.

An expansion of the pulp and paper industry, creating additional employment and incomes, is also foreseen. I think I am correct in saying that the possibility of establishing a third paper mill is now under investigation.

The Premier has already told you about the prospects of agriculture.

From the standpoint of both investment and employment, Newfoundland's strategic geographical position is one of its most valuable assets. Although the employment associated with air bases and defence works may be subject to fluctuations in the cold war, maintenance alone on the existing installations will undoubtedly mean substantial employment and expenditures. The increasing importance of international air transport is likewise creating a considerable amount of employment in Newfoundland.

Important as the primary and export industries will be in increasing employment and income in Newfoundland, the greatest over-all expansion will probably take place in secondary industries and economic activity, that is in those industries which serve the primary or export industries and the



people they employ. It is probably that the ratio of primary to secondary employment and investment in Newfoundland has always been very much higher than the corresponding ratio in Canada as a whole. With the very low productivity of the fishermen, the fishing community could only support a minimum of secondary activities. An increase in productivity and income will enable the community to devote more economic resources to such things as electricity and electrical appliances, better housing, entertainment, and automobiles. In other words, whereas the typical outport of the past boasted one store and, normally, one school and one church, the fishing communities of the future will have theatres, garages, water and sewerage plants, community centres, cold storage plants, market farms, barber shops and beauty parlours, etc.

While our analysis shows that the prospects of the private sector of the Newfoundland economy are very promising, it is not inevitable that they will all be realized. There are major problems in the public sector which could be a serious retarding factor. Newfoundland has had a long history of poverty, and this poverty has meant the neglect of the public services. The absence of such services as roads tended to discourage economic development, which in turn meant that for a long time little could be done to alleviate the poverty. It was almost a vicious circle.

I have given you already the figure for





the basic requirements for highways and road services and for water and sewerage systems. Large scale investment in housing, which is not public investment, although there will have to be public investment in slum clearance, I have also given you. I would also draw attention to the present very inadequate facilities for housing provincial and municipal government departments, which will call for the erection of suitable public buildings.

I want to say a word about municipal organization, because it is still in the early stage in Newfoundland and there is a great deficiency of municipal buildings and of ordinary local services. It is important to note that Newfoundland is now in about the same position with respect to local government as were the maritimes at the time of confederation in 1867. Some of the reasons for this have already been stated: the nature and economy of the sparsely settled communities and, above all, the very low personal incomes which could not provide taxes to pay for municipal works and services. While there has been great progress in the organization of municipal government in Newfoundland since the union with Canada and local taxpayers are participating to an increasing degree in paying for local undertakings, the fact remains that the provincial government must continue to assist the financing of local projects and services which, in other provinces, are a local responsibility.

To those of us, Mr. Chairman, who come



from other provinces it is difficult to appreciate the proportion of municipal services financed in Newfoundland by the provincial government — police, fire, education, hospitals, and assistance in the provision of water and sewerage services. That is not, of course, the case in other provinces. Relief here is exclusively a provincial responsibility, whereas in Canada as a whole it is primarily a municipal responsibility. And you must appreciate that when you think of the government of Newfoundland you are not thinking of a provincial government with its exclusive responsibilities, but of a government which performs many of the functions which a municipal government performs in our part of Canada. You have, to think of a provincial government which performs the larger part of financing municipalities. It is true that situation is changing, but it is changing gradually, and it will take many years, I predict, for municipal government to develop here along the lines on which it has developed in Canada.

Now, Mr. Chairman, to facilitate the realization of the economic prospects of Newfoundland and to enable its people to enjoy at least the minimum standards available to the residents of the other provinces, a long-range programme of public investment is essential. The realization of its economic prospects through the industrial expansion which is envisaged will enable it to support its rapidly increasing population and will raise their income and living standards. The possibility of





achieving this expansion now rests on Newfoundland's ability to provide a climate suitable for such expansion. This in large measure depends on building up those services which are a prerequisite to industrial development. Having regard to the immensity of the problems, to the low personal income of the province -- about half of the national average -- to its low taxable capacity, and to the obligations which the provincial government must assume for works and services which in other provinces are local responsibilities, its ability to provide the means for both overcoming the present deficiency in social capital and meeting the requirements of prospective growth is very limited.

Within its limitations, Newfoundland has provided and will continue to provide large sums for public investment. Considering, however, the broad national interest in the development of natural resources and in the return therefrom, it should not be the sole responsibility of the province to provide the basic social capital which is a prerequisite to such development. It should be incumbent upon the government of Canada to participate in public investment which materially contributes to this development. As roads are a first essential for opening up resources, they are a peculiarly appropriate field for such participation. Accordingly, the government of Newfoundland submits that the government of Canada should assume full responsibility for the



construction of the trans-Canada highway and the costs thereof, and that it should share on an agreed basis in the costs of construction of other approved highways in the province. This would make a major contribution to the opening up of the resources of Newfoundland and to the further development of the province, because the major part of the public investment will be for roads.

I conclude, on behalf of the Newfoundland government, by saying we believe that federal-provincial co-operation in economic development will materially facilitate the realization of Canada's economic progress.

THE CHAIRMAN: Thank you, Mr. Goldenberg, for a very fine presentation. Would you be prepared to answer some question if some of my colleagues might wish to put them to you?

MR. GOLDENBERG: I am prepared to try to answer, and to ask the Premier to answer, I think the Premier would be willing.

MR. STEWART: The Chairman has made reference to the very ~~excellent~~ brief you have presented to us setting out the resources of this province, and I would mention the very useful projections which are contained in the brief. I am sure we are extremely grateful to the Premier as well for the very clear and forceful statements which he has made to us in relation to the problems of this province.

I would like to recapitulate that





statement for two purposes. The first is to indicate that even we who come from great distances are capable of comprehending the problems of this province, and I think, even of being stirred by the enthusiasm of the people here. But there are one or two questions I would like to ask. The first point is this. This province anticipates a substantial increase in population, based upon a natural increase, which in the next 30 years or so may be of the order of 75 or 80 per cent. In order to provide for this increase, and to catch up on the backlog of local needs, there is in prospect a tremendous demand for social capital. The Premier has pointed out that the people of Newfoundland would not wish that these needs should be met in terms of handouts from other provinces, but that having faith in the potential of their resources here, their needs could be met basically from the resources of this province.

We have been impressed by the events which have occurred recently in the development of resources in Newfoundland. Yet the Premier, and Mr. Goldenberg in his brief, indicate that it is doubtful whether in the normal course of events these needs could be met; but they might be met by abnormal development, by the creation of a favourable climate, which the Premier says would require an "imaginative effort" to do certain things -- "to find, to measure, to blueprint and to develop the resources of this province." I think these are the words which the Premier used.



Now, specifically what is being done to find what are the resources of this province? Should more be done to find what are the resources of Newfoundland? And what specific things could be done, in this over-all imaginative effort, in order to find out what are the resources of this province? When we come to development, that presumably involves the adaptation of techniques to the need of the resources of Newfoundland. We have been greatly interested in the premier's statement of what has been done in the development of techniques in agriculture to more fully utilize land resources here. We know the techniques in the changing and development of the fisheries. Specifically what more can be done in this area to provide the kind of climate in which the development of resources would occur?

Again, development of resources requires incentive, inducement to people to invest capital in that development. Some things have been mentioned. Lack of transportation is a factor, road transportation, among such other things as government guarantees. Reference was made to technical training which would equip people for these activities, and to other specific things which could be done in order to provide the kind of internal incentive which would speed up and facilitate the use of resources in this province. Reference has been made to the need for markets, and obviously this is important too.





I was interested in the premier's imaginative reference to the Colombo plan and the Caribbean area, but what other things can be done in a concrete way which would be useful in creating the kind of situation which would lead to resources development here? These are the questions.

MR. SMALLWOOD: Well, on the first of these, I can say quite frankly, and regretfully, that the government of Canada is doing very little in this province. I think perhaps they are doing very little in any province, and certainly in this province, to find and map and blueprint natural resources. What they are doing is pitiful; it is only a token. Much of what is being done is being done by the government of Newfoundland. We have spent millions of dollars out of our own treasury in surveys, airborne, aeromagnetic surveys, electromagnetic surveys, ground surveys and photographic aerial surveys, mineral surveys, geological surveys.

Then, secondly, a lot is being done by private interests. Virtually all of these have been brought into Newfoundland at the invitation and instigation of the government of Newfoundland. "Brinco", British Newfoundland Corporation, which is the biggest of them, is making quite a sizeable effort, although it is concentrating mostly on hydro investigations. Last year and this year they have been surveying the potentials of the Hamilton river watershed. But they have also



done some mineralogical prospecting or surveying. Then "Nalco", Newfoundland and Labrador Corporation, which is a crown corporation having as partners a number of private companies such as Harriman Ripley of New York, Wood Gundy of Toronto, and two or three others, has spent over a million dollars of its own subscribed capital on exploration, and they continue to do so. Then there are quite a number, 12 or 15 other companies, most of them American but a few mainland Canadian companies, who are still conducting exploration.

What has been done in fact by all these agencies together I dismiss. What the government of Canada has done and is doing is trifling, hardly even a token. It is really pitiful; in fact I could use stronger words than that. But what is being done is terribly inadequate; I put it to you in that way. Stake out a piece of Newfoundland almost anywhere. Close your eyes, pick a spot on the map and measure ten miles each way. To survey that ten miles is a terrific job, the terrain is so difficult. You cannot get aboard a car and go over it. We have not the rivers so you cannot travel by river. If you try to tramp overland on foot in our swamps and bogs and marshes and through the forests and over the hills it is a terrific task. The helicopter has been a great help. What is needed is an intensification of exploration, surveys multiplied a hundredfold over and above what presently goes on. You don't want me to argue





why; I have done that.

Now you ask what more do we want from the government of Canada. We don't want them to do it only for Newfoundland, though if they do it only for Newfoundland we won't complain. Primarily we are responsible for Newfoundland, you see; we are not responsible for Nova Scotia nor Quebec. We are responsible for what happens here. Here in Newfoundland we are trying to make a success of our union with Canada. The government of Canada is trying too, but not hard enough and not in that particular direction.

What we would like is this; that the government of Canada, as such, spend -- pluck a figure out of the air; it is only guess work anyhow -- six or seven or ten millions a year for the next four or five years in this province, probably the same or even more in Nova Scotia, and even more than that again in the much bigger provinces of New Brunswick. Even Prince Edward Island should be scoured by every square inch, not every square mile; it is only two thousand square miles.

The have-not provinces down here on the Atlantic seaboard who are most in need themselves are the weak spot in the Canadian picture, together perhaps with Manitoba and Saskatchewan. I know less about them. The prospects in Saskatchewan seem very good, with oil, minerals and uranium; but down here, for the weak brothers, the weak sisters



of Canada, these four provinces, the government of Canada as such should make an extra-special, a super-duper effort. I have used various words, "unprecedented", unparalleled, "unconventional", "untraditional", but I cannot find quite the word I am trying to get. But it would be something unique in North America, something that has never happened before. And it would be all in the national interest, and incidentally and inferentially in the interest of Newfoundland, in so far as what is done in Newfoundland would be in the interest of Newfoundland, and what is done in Nova Scotia would be in the interest of Nova Scotia, but over-all it would be a great national effort in the national interest, the all-Canada interest, the British-North American interest, for the economy of these provinces to be improved. To do that is not to give a hand-out, but to develop what we have. That is the big job, to find what we have and it is a costly and slow job. That is the first job. The next answer I think Mr. Goldenberg will have to tackle, the public investment in the social and capital fields.

MR. STEWART: My question was, what kind of incentive or inducement may be necessary to speed up the normal processes and meet these problems of social capital?

MR. GOLDENBERG: What kind of incentive to whom?

MR. STEWART: Nobody builds a power





plant, for instance, unless there is some prospect of return from the investment. Have you in mind anything that would be necessary to provide a favourable climate for that sort of thing? You mentioned cheap transportation. Could you elaborate on that at all?

MR. GOLDENBERG: I must say I am not clear as to the meaning of your question. Are you talking of road transportation? I spoke of cheap transportation as a requirement for an effective export-import economy.

MR. STEWART: No, I am taking your term "cheap transportation". Have you any specific recommendations as to how that may be accomplished?

MR. GOLDENBERG: I made reference in my brief to the basic problem of Newfoundland's economy. That had no relation to prospective requirements for social capital. If you would recall, it was under "The Newfoundland Economy" on page 3; "Problems of the Economy".

THE CHAIRMAN: Mr. Goldenberg, may I bother you for a moment. I want to ask you a question on the same point, if you could give us some indication of your priority of preference as far as the development of communications is concerned. Do you take roads first or railways, or additional air facilities?

MR. GOLDENBERG: Roads. I think I made that clear; by far, roads. Both for the economic and intangible benefits which will be derived



I certainly think roads are essential for the further opening up of this province. They are also essential to do away with the terrible isolation which I have seen, and which I don't think you have had a chance to see. When you talk about 1,300 outports or 1,300 small settlements scattered along 6,000 miles of coast, it means that there is isolation for months every year. I am not suggesting, and I don't suggest in this brief, that Newfoundland can have a network of roads corresponding to that in other provinces where settlement is different. But certainly roads are the first essential, to my mind.

MR. STEWART: There again, do you put the emphasis on roads for transportation or for the opening up and development of resources, or for the elimination of isolation?

MR. GOLDENBERG: Well, from the plain economic approach I was thinking primarily in terms of roads which could be termed developmental roads. The province has a road programme. Personally I have grave doubts -- I am not talking for the Premier but am merely giving my own opinion -- that they can possibly carry it out in the next 25 or 35 years.

MR. SMALLWOOD: Mr. Chairman, on that point, the difficulty is not unique here at all. It is not even new here. It is an old story in other provinces, but I can point the story this





way. The Iron Ore Company of Canada say they have to produce and export ten million tons of iron ore a year out of Labrador before they begin to make a profit. That profit would be such that they would pay the Newfoundland government what they are required to pay under their agreement. We did not make this agreement; it is pre-confederation. To pay us \$500,000, half a million dollars a year, they must mine ten million tons in the province of Newfoundland. Actually they would mine perhaps half in Newfoundland and half in Quebec, which would mean a quarter of a million dollars a year to Newfoundland's treasury, for the production of five million tons of iron ore. We get 5 per cent of the net, as defined in the act and the agreement. Well, now, multiply that by ten or twenty or any number you like.

The province goes to endless trouble and expense to bring in industry and bring about economic development, but it is the government of Canada which reaps most of the revenue. Admittedly it is the government of Canada which needs most of the revenue; they have most of the expenditure to make. But we here in Newfoundland contend that since an exploration here is a gamble, the government of Canada would be well justified in stepping beyond the bounds to make investments as such in Newfoundland, even, if you like, in the building of roads to open up mines. They will do that now. The government of Canada will put up one-third the cost of building



access roads to new mines, if proven; and the company will put up one-third. But one-third may not be enough. The government of Canada might well make investments in roads opening up forests, mines and waterpowers. They might well do it, not as a permanent policy, not perhaps in every province.

We feel that the government of Canada should help the government of Newfoundland, and will help private interests in Newfoundland find, blueprint and map natural resources. Our whole philosophy is that we must develop Newfoundland. We have had slogans: "Develop or perish", "Develop or we are sunk", "Develop or we are gonners", "We are gonners if we don't develop" -- and we want the help of the Canadian government in that, not necessarily with capital to develop but capital to find and explore.

We have had a policy here in Newfoundland for years; if a small man found what he thought was a mineral deposit, we would go in and diamond drill for him. If, as and when he got the mine going, one of the first charges would be the cost of that diamond drilling, but at least he got the drilling done.

Why should not the government of Canada do a thing like that, not in Ontario, not in Quebec, but deliberately differentiate in the national interest? It is unnecessary that the government of Canada should go into Ontario, where they have





had three thousand new industries since the war ended, or into Quebec where they have had an equal number. It would be silly, just foolish. But come into the provinces that are backward, in the interest of having them cease to be backward. Come into the underdeveloped in the interest of having them cease to be underdeveloped. That is in the national interest.

THE CHAIRMAN: You are suggesting federal assistance. If you had your minerals charted you would no doubt find some of them were high-grade and some of them low-grade. Naturally you would not want to go ahead with the whole development?

MR. SMALLWOOD: But we know, if we had that done, we would have a hundred or two hundred or five hundred mining outfits from all over North America coming in here.

MR. GRAUER: In other words, if you had federal assistance for roads the mining development would go ahead by itself?

MR. SMALLWOOD: Yes.

MR. GOLDENBERG: That is exactly what we have in mind. Newfoundland does not suggest participation by the federal government in investment in industries as such. Newfoundland wants federal financing of surveys and so on. If you look at the union proposals, you will recall the federal government did propose that. Newfoundland is always



suggesting Federal participating, either exclusively or jointly, in the main services, which we think is necessary to further development; and that is roads.

It is by no means unprecedented for the federal government to participate in providing transportation. Government participation in railway transportation is part of the history of Canada. Well, transportation has developed over the years, and roads today are in many respects as important as railways were when transportation was originally sponsored by the federal government to help develop this country. There are many projects in which the federal government has participated to facilitate transportation. The federal government just paid three-quarters of the construction cost of the Canso causeway to join Cape Breton and the mainland of Nova Scotia. The federal government is financing the Canadian share of the St. Lawrence seaway. I don't think what has been suggested by Newfoundland is unprecedented or startling. I would just make that point.

MR. SMALLWOOD: Of course if you start off with a strong belief that you have natural resources, that belief will give rise to certain thoughts and desires. If you start off without that belief, you will not have too much interest in getting anyone to come and survey. But we have immeasurable belief that we have great natural resources. We also know it costs like the very devil to find them, and it is just too rich for





our blood. It just is, because we have so many roads and schools and hospitals to build, and so many other things to do with our money.

MR. GRAUER: Then this road system you are talking about, if undertaken, could be very well used to develop these resources?

MR. SMALLWOOD: I was informed last night over the C.B.C. that the government of Canada will spend \$500,000 in the next year to conduct a survey of the resources of Ceylon, as part of Canada's contribution to the Colombo plan. The whole island of Ceylon is to be surveyed. That is all right; I am for that. I don't object at all. It shows that Canada is getting world statesmen, truly men of world vision. But I would like to turn the telescope around the other way and have them look right down here at this province and do a bit of surveying here in the national interest. It is in all our interests. I hope the time will never come when we can honestly separate the national interests from the provincial interests. It is in our interest, yes; but surely it is also in the interest of Canada as a whole that Newfoundland should be prosperous. I am sure every factory in Ontario and every manufacturing plant in Quebec would like to see Newfoundland very prosperous. It is in the national interest for Newfoundland to be prosperous.

MR. GOLDENBERG: In answer to your other question about topographical problems, this province is quite different from the prairie



provinces. It has some similarity to some of the provinces, to British Columbia. I am sorry; I thought I brought with me the figures I have in my office on the average cost per mile of the trans-Canada highway in the different provinces. I suggest you get these figures. They will answer your question in part in any event.

MR. SMALLWOOD: I think it would be a terrible thing if you gentlemen went back from Newfoundland without having some grasp of the fear, the dread we have in Newfoundland of being looked upon as beggars, as looking for hand-outs. We are much older than any other part of Canada. We are very proud of our history and very proud of the blood that runs through Newfoundlanders. And Newfoundlanders think they are as good as anything on this earth; not better, but just as good -- wonderful stock and a wonderful history. We are not beggars. We don't want any hand-outs. If there are to be any hand-outs we will give them. But we do want help to develop our resources, so that we can contribute rather than receive from Ottawa. We would like to be one of the "have" provinces.

THE CHAIRMAN: You will be all right.

MR. SMALLWOOD: I think we will.

THE CHAIRMAN: Mr. Premier, we are confronted with this communications problem. The situation is that we have commitments in Halifax in the morning, and the suggestion is that the





Commission divide up, some members of the Commission taking the only plane expected to leave here today, which will be shortly after lunch, and the others remaining to carry on the proceedings after lunch. Now on that basis, would you suggest we carry on now for 15 minutes and then adjourn until 2.30, or do you prefer to adjourn now?

MR. SMALLWOOD: Whatever you wish.

THE CHAIRMAN: I suggest we carry on, with your approval, until 1.15 and then adjourn until 2.30 this afternoon.

MR. STEWART: Obviously for the development of the resources of this country, markets are necessary. Are there any specific suggestions you care to make as to how this national approach affects the province here?

MR. SMALLWOOD: That is terribly important to fisheries, minerals, newsprint, paper and the like. I think it could quite safely, quite wisely, be left to private enterprise to find the markets, except in so far as general national policies and the operations of the Department of Trade and Commerce and so on affect marketing in general. We do not look to the government of Canada to do our marketing or even to help very much in marketing, except this. We do not want the parliament of Canada to drive up tariffs. We do not want that. Specifically, we do not want them to do our marketing, but in fisheries that is a little different. We do want them to negotiate all the trade treaties



they can, with all the countries they can, especially the fish-eating countries, the Latin countries, all the South American and all the Central American countries, all the Caribbean countries, Spain, Portugal, Italy, anywhere and everywhere; that will please us. That will create a trade climate in which we will do our own selling. I think our trade will be able to sell. They have been trading all over the earth for hundreds of years.

I don't know that I grasped the question correctly. Do I seem to have done so?

MR. STEWART: Perhaps as well as possible; obviously I was wandering. If we could draw any specific thing you have in mind there?

MR. SMALLWOOD: This idea of the government of Canada moving into the Caribbean would help to give Canada, any part of Canada that had anything in particular to export to the Caribbean, something of a preferred position. I think that would be a definite move Canada could make that in time could be helpful to our export trade. She might find other ways like that.

MR. GOLDENBERG: In as far as a general national policy is concerned, I think I am right in saying one of the main reasons I set out the matter of the Newfoundland economy's dependence on export, was to indicate that Newfoundland would be very vulnerable to a decline in trade. Any change in national policy which would contribute to a decline in exports, whether by way of higher tariffs or otherwise, would





be contrary to the best interests of Newfoundland. Furthermore, if any bilateral trade agreement should be negotiated, assuming it could be done, we would expect the federal government to have regard to those products which we must sell.

I also mentioned in my brief low cost transportation, to which you drew attention a little time ago. Frankly I was not thinking in terms of internal communications but in terms of something of vital importance to Newfoundland, low freight rates and the ability of Newfoundland to take advantage of competition in shipping and so on. That is what I had in mind.

MR. SMALLWOOD: We have specifically not dealt much with shipping. Our case has been put pretty thoroughly before the royal commission on coastal shipping.

MR. GOLDENBERG: I think really to answer your question I have to point out that is what I had in mind. There is no harm in reiterating to this Commission the views which have been presented by this province to the royal commission on coastal shipping, and to the royal commission on transportation, two or three years ago. Low freight rates and competition in shipping, in order to keep rates down, are vital to Newfoundland.

MR. STEWART: Without any concerted national effort there will be a certain amount of resources development, because private capital will



be induced to come in and people will move in where there are employment opportunities. These things will happen. But is there any way in which a modified national policy would stimulate development? Can you see any ways in which that process could be stimulated by providing greater incentives?

MR. SMALLWOOD: I have never felt that we wanted public moneys from the treasury of Canada to be used to buy shares or to even be invested in industries in Newfoundland. I am speaking generally. There is one exception. I have felt very strongly, and I still do, that capital aid, even out of the treasury of Canada, to our basic fisheries would be well justified. For centuries down to about 1810 or around there, it was the established policy of the British government to regard the fisheries of Newfoundland as an adjunct of the Royal Navy, a training ground, a nursery for the Royal Navy. They did all kinds of things in connection with our fisheries based on that concept, that the fisheries of Newfoundland were a training ground, a nursery for the Royal Navy. Well, now, I do not suggest that the fisheries of Newfoundland be regarded by the government of Canada as a nursery for anything or even a training ground for anything, but that they regard the fisheries of Newfoundland as being, at least potentially, a great basic industry which could easily make Canada the most important maritime country of the new world, the western hemisphere.





That is apart from what the government of Canada, the parliament of Canada, might feel it owed to Newfoundland.

Oh, I understand that they felt they owed the people of British Columbia a railway spanning a whole continent and climbing up and down and through the Rocky Mountains, as an inducement to British Columbia to throw in her lot Britishwise and not Americanwise. The Prairie Farm Rehabilitation Act I have heard described as a belated recognition by the parliament and government of Canada of the fact that the people of the prairie provinces came in, lacking certain advantages of the other provinces yet taking their share of ~~certain~~ costs and expenses that have been incurred in on behalf of the other provinces.

Well, in something of that spirit, but not confined only to that argument, perhaps Canada might say that the ~~rehabilitation~~ and development of the fisheries of Newfoundland, whose potentiality is so vast and fantastic, might well be a national charge. That is the only suggestion I would ever make of actual participating by federal moneys in industrial development. That is by way of capital aid or capital investment. For all the rest, as I have said all we want is help to bring about a much more rapid discovery and development of our own resources.

MR. GOLDENBERG: I just wanted to say this. The Premier has said that he is satisfied



that this province has rich, undeveloped resources. I agree with him. We have to think of Newfoundland in relation to the other provinces. There are other provinces which have large undeveloped resources. The Premier has drawn attention to the fact that I also act for a province which is very large and rich in resources. Newfoundland is at a distinct disadvantage competitively in the development of these resources. Granted equal resources of a certain kind in British Columbia and in Newfoundland, capital and people required to develop these resources might be more inclined to go to British Columbia.

MR. SMALLWOOD: Incomprehensible.

MR. GOLDENBERG: Incomprehensible though it might seem; but we must give some incentive to capital to come into Newfoundland. We must give some incentive to technical persons to come into Newfoundland. It is not easy, because living conditions here, we might face it quite frankly, are quite different from what they are on the mainland. So if you <sup>not</sup> do/give them roads and other basic services there will be little incentive. It is true that we have the resources. They are there. But other provinces may be able to develop their resources even more easily, may be able to develop them without such a network of roads as we might want in Newfoundland. I think Newfoundland, because its competitive position is poor, must have the facilities, the amenities, the social capital which will make it easier for





capital to come here and bring people here. That is part of the reason for stressing the need for public investment, and I admit that I have used the words "public investment". However, we are not suggesting a national investment programme in housing, beyond what is being done. That is why I have been stressing this social capital, and the need for doing something which economists might think is approaching it from the wrong end. You might say, let the resources be developed and then let the social capital be developed. I think we have to do a lot of things here first in order to encourage development. I don't know if I have made myself clear.

THE CHAIRMAN: Before we adjourn for lunch, I should like to say how disappointed all of us on this Commission are that our plans did not work out, so that we would arrive here on Saturday and see something of St. John's and the surrounding countryside by helicopter, which was the plan for Sunday. But we do not seem to have any control over the weather as yet, and there was nothing very much we could do about it. I know I, for one, am determined to come back at the first opportunity and enjoy these experiences we have missed during the last few days.

We would like to thank you, Mr. Smallwood, for the enthusiastic and the imaginative manner in which you presented the story of Newfoundland's potential development for us. We are extremely



grateful to you for the very excellent way in which the whole picture was put together. It will be of great value to us as we continue with our deliberations.

Now I would suggest that we adjourn until 2.30 this afternoon.

--- At 1.15 p.m. the Commission adjourned.





--- At 2.30 p.m. the Commission resumed.

Present: Mr. Grauer, Acting Chairman;  
Mr. Gushue.

MR. GRAUER: I notice that when the new Memorial University is completed the present building will be dedicated to vocational purposes.

In travelling around, this question of vocational education has been an important one everywhere, as I assume it is here in this economic development. I take it you are a bit pressed for technicians and that type of person. Do you anticipate that this expansion in your vocational education programme will fill your requirements there, or do you think you will still have to look for trained personnel?

MR. SMALLWOOD: Actually, in practically every field in our economic life in Newfoundland in the past we have always been terribly short of trained and skilled men. For example, when the great programme of building defence bases in Newfoundland began, in the early part of the war, Newfoundlanders who were trained and skilled carpenters of the type needed at that time, men who could read blueprints, were very rare. There were very few of them.

Since that time, of course, because of the enormous amount of defence construction work that has been done, running into many hundreds of millions of dollars, many Newfoundlanders have acquired skills they did not possess before that.



That is in the straight construction field. When you get into other fields, Newfoundlanders who have continued to live within Newfoundland itself have not had the opportunity to acquire skills in many of these other fields. Of course a great many Newfoundlanders have gone off to the mainland of Canada and to the United States and have become skilled mechanics and tradesmen of one kind and another. Some of these have come back. In every one of the new industries the lack of industrial background, of the habit of punching the clock and working at industrial processes, have been quite acutely felt.

The vocational training up to now has not by any means even begun to meet the need. When enough of the new university buildings are erected to enable the university to move out of the present building, and the present building can be used to the full for expanded vocational training, it will go a long way, but not completely, toward filling our need in industry. Take for instance hydro-electricity; there is going to be a lot of development there. There has been already every year now since union, and there will be very much more. We have very good electricians, men who go in and wire houses and do more or less straight electrical work. But for the high echelon, electrical engineers and the like, we have these but they are very rare. I do not think the expanded activity in the vocational school will meet our need, but that inevitably men





with these skills must come into Newfoundland. These will be Newfoundlanders who have worked across Canada and the United States who will come back; and there will be others, Canadians, Americans, Englishmen, Germans or what have you. They will come in. So there will be for years to come, I think, some immigration of that type, because until we are further advanced we ourselves will not be producing the technical skills required in an expanding economy.

MR. GRAUER: That we are to have an expanding economy on a world-wide scale is assumed quite commonly right now. Therefore there is the same pressure in any country. I brought it up, of course, because of this morning's talk of physical resources and natural resources. There is a type of person who can develop these resources. There will be more and more of a problem. However, I take it that is some of the problems you are willing to face yourselves.

MR. SMALLWOOD: Yes.

MR. GRAUER: I was quite struck with the statement that in one stand there was more than three times the wood consumed by the woods development on the island of Newfoundland at the present time.

MR. SMALLWOOD: May I make a correction there? Not more than is consumed; but the standing timber in Labrador, in one stand, is greater than the standing timber of the two paper companies.

MR. GRAUER: Yes, I expressed it badly.



That is what I was interested in. Has there been any statistics or the cost of development of Labrador timber? Is that more costly than on the island.

MR. SMALLWOOD: There have been studies, yes. We have had Mr. Nelson Rockefeller's company, International Basic Economy Corporation, of New York, make some studies on that very matter of a paper mill in Labrador. The cost of logging should not be very different from the cost of logging here in Newfoundland, and the cost of operating a paper mill ought not to be very much different. The greater cost arises from the necessity of long storage. You see, when a newspaper orders so many tons of newsprint, that newspaper will use rolls of a certain width, depending on how many pages they are going to print, and that depends on the amount of advertising. Therefore no newspaper can tell precisely even three months ahead what specifications of newsprint it will require. Yet a newsprint mill in Labrador would have to store the newsprint for probably six, seven or eight months out of the twelve. There is not only the cost of erecting the warehousing space and the capital cost tied up in production, but the inconvenience of delivering the twelve months' production in, say, five months.

These costs have to be added to the Newfoundland costs, and it does cost more to produce paper. Now whether or not other factors would outweigh those I do not know. There is the greater yield of pulp from a given tonnage of wood. That,





you see, is a big factor. That could be 15 or 20 per cent or more of the cost of the wood. The greater yield from the wood should offset some additional costs of production, warehousing and the like.

MR. GRAUER: But there are no studies at the moment which would indicate --

MR. SMALLWOOD: There are studies, a little outdated at the moment but still basically correct. That is the study made by I.B.E.C.

MR. GRAUER: The next point I wished to make was with respect to your suggestion as to Canada, and a Colombo plan with respect to the West Indies. Have there been any studies of such a proposition?

MR. SMALLWOOD: Not that I know of. I have never heard of anything, although I suggested it. It is very new. I have been going down there each year for the last four years. I hope to go down again this year, just after Christmas. I usually spend ten days or a fortnight down there visiting the islands, talking to the politicians down there and watching the developments. I can see an immense improvement even in those four years. I have discussed their problems with them. The new premier of Jamaica, for instance, I know very well, and I knew the old one very well. There are great changes going on down there, and I feel that Canada would be smart to get in right on the ground floor and help them and in turn be helped.



MR. GRAUER: Were you thinking of a two-way trade there, or perhaps a three-way trade embracing the United Kingdom?

MR. SMALLWOOD: I have nothing at all worked out in my mind, and I don't think I am competent to do that. I am not a businessman, not even an economist. It could be worked out by those who are competent.

MR. GRAUER: On the question of housing, you have rent control in Newfoundland?

MR. SMALLWOOD: We have rent control in St. John's. It was created during the war and has never been abandoned. It is fairly loose. I don't think people resort to it now very much, but we still have a rent control board, which meets maybe half a dozen times a year.

MR. GRAUER: You would not regard it as very restrictive?

MR. SMALLWOOD: You mean, have the effect of discouraging people from building? Not in the least. It meets once a week, I am told.

One of the things helping to accentuate the housing shortage in St. John's is the fact that we have perhaps as many as twelve hundred United States servicemen who are married and have their families here, and who have rented houses or parts of houses or rooms in houses here in the city. But I may say there is a project to erect 500 new houses for United States service personnel.





That should relieve that part of the problem a little.

MR. GRAUER: Educational is denominational in Newfoundland?

MR. SMALLWOOD: That is correct.

MR. GRAUER: Is education compulsory under these circumstances?

MR. SMALLWOOD: It is compulsory.

MR. GRAUER: What happens in these smaller communities? Are they usually denominational?

MR. SMALLWOOD: Actually you will find that the Roman Catholics, for example, are to be found, not exclusively now but overwhelmingly, in one area. For instance, in the district of Ferryland, that is the district which lies south of St. John's and up to Cape Race, that would be 98 per cent Roman Catholic, and there would be one settlement after another with not a living soul in it except Roman Catholics. So the school in each settlement would be a Roman Catholic school. If you go to other areas, Burgeo would be about 98 per cent Church of England, or if not 98 per cent a very high proportion of Church of England people. Every settlement will be wholly Church of England -- and I mean "wholly" -- and the school in each settlement would be a Church of England school. Similarly in Green Bay, which is overwhelmingly United Church; every settlement is exclusively United Church. That is not so in every one of the 1,300 settlements;



but you will find in the very great majority of the larger settlements there would have to be two or more schools even if all the people were of one denomination, because of the geographic nature of the settlements, as it would be too far for children on one side of the harbour to come right around to the other. The actual amount of physical duplication of schools arising from the denominational system is surprisingly small.

MR. GRAUER: But do you often find the situation where children would not find the denominational schools required?

MR. SMALLWOOD: Occasionally, but not quite frequently.

MR. GRAUER: Then what happens?

MR. SMALLWOOD: What happens is that the pupil goes to the available school. If he is a Roman Catholic boy and there is no Roman Catholic school, well, it is compulsory; he must go to the Church of England school, and vice versa.

MR. GRAUER: They do that?

MR. SMALLWOOD: They do. But on this question of denominational schools, you should understand that even if it meant ten times as much duplication as there is in fact, there would still be denominational education. It is not a matter of economics; it is a matter of the dearest convictions of a lot of people, and they are going to have their own denominational schools. Across





Canada, it is commonplace for Roman Catholics to insist on having their own separate schools, and it is found commonly in the other provinces that Roman Catholics have their own schools and all others have one set of schools. In Newfoundland not only the Roman Catholics but the Church of England and the United Church and the Salvation Army and virtually each of these denominations is keen and eager to have its own separate system of schools. That was so before we were born.

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MR. GRAUER: Well, Mr. Premier, we are very glad to have had you to answer these questions. Thank you very much.

I am very glad to know we have Mr. A. H. Monroe appearing this afternoon. It has been stressed this morning that the fishing industry was still, and probably would be in the future, the basic industry of Newfoundland. We know, Mr. Monroe, that you are one of the leading people in that industry, so we would be very pleased indeed to have your views on the problems of the industry and particularly its prospects.

MR. MONROE: I would like you to understand that I have not prepared a brief. I also assume I am to develop what has appeared in the government's brief. Is that the line you wish me to take?

MR. GRAUER: In so far as you agree with it.

MR. MONROE: Well, I can elaborate. Actually I see nothing with which I do disagree.

Perhaps it would be well to start by saying that the normal fishery in this country in the past 50 years has been 1,200,000 dry quintals or its equivalent; and it still is, by good luck or good management. As the salt fishery has declined, the frozen fish industry has taken up the slack.

I might go back and say that our troubles





really commenced with the imposition of sanctions on Mussolini about the mid-thirties. After war broke out we got our first orders from Great Britain for fish. That was the birth of the frozen fish industry in Newfoundland. As the war progressed we switched some of our business to the United States and tried to develop markets there. That built up quite satisfactorily during the war. After the war frozen fish, in common with other frozen foods, found much more ready acceptance throughout the United States.

Then we took another step forward. The next thing was that processed or precooked fish came in and caught the popular imagination. That again took away the necessity of having a balanced production, and allowed us for this processed food to use only cod. That brought the inshore fisheries right into the front rank again, and a lot of plants were operated on the northeast coast where plants which had been operated during the war had been closed. That situation has continued until, as has been pointed out in the brief this morning, there are plants built or building in the province now to put up something in the vicinity of perhaps 90 million pounds of frozen fish. The market for that is going to take a year or two, I think, to work up to. Where we can find a market for that production is somewhat problematical.

There is one serious weakness, looking at it from the rational point of view and the present



production of fish for processing. That is, the United States government saw fit to impose a duty, which really amounts to an embargo, on importations of precooked fish. So that fish was produced in block form and sold to United States processors. Some Canadian firms established processing firms in the United States, but the vast majority did not. Block fish as such is dangerous. It is quite a different proposition from having a brand recognized, with consumer acceptance of your product. There you could be pushed out of the market but it would take time, but when selling a product like block fish you could be pushed out overnight. That is a weakness in our present set-up.

Quite a few will disagree with me, but to my mind the channel of development from now on is in the salt fishery. I think there is a lot of room there. I entirely agree with what Mr. Smallwood said, that the Caribbean is the area at which we should look. The consumption in the Caribbean, I think, is about 15 pounds per capita, and it is used nothing more than for its condimental value; salt fish, sweet potatoes and yams, and very little protein goes with it. The amount is very small. In spite of that, 15 pounds per capita is used, and I am strongly of the opinion that there is lots of room down there for enlightened marketing. The sales techniques used in connection with fresh frozen fish could apply.

I do not believe we will ever get our





markets back in Europe. These countries now have their own fleets, and I imagine there is a fair amount of pride mixed in with that. Then there is the difficulty with soft currency there now, and it is likely to stay that way in markets other than the United States, on which we are entirely too dependent to be healthy. The situation is difficult.

In most countries in which we might find markets one has to do a little barter dealing. That being contrary to the federal government's policy, we cannot elicit the aid of the Trade and Commerce fellows, and it makes it very hard for us. For instance, I have been corresponding recently with a Czechoslovakian purchasing department, and they want to know what kind of Czech products I can take in return. I called Trade and Commerce and asked, and I am just stuck there. Not long ago we were talking about making a barter deal with Rumania where a substantial quantity of fish could be sold, but we would have had to take oil. Oil is marketable, but Rumanian oil like Arabian oil is contraband, and it could not be done.

So the field for development now, I think, is salt fish. And, as I have just said, I think that can be developed to a point where we probably can get an outlet for the equivalent of at least 900,000 quintals, which is a little more



than today, though not a great deal more. I think the frozen fish industry can be worked up to 800,000 quintals, or in all the equivalent of 1,500,000 quintals. Twenty years ago the production of fish was 1,200,000 quintals. Today it is still 1,200,000 quintals, but the important difference is that it was then done with 45,000 fishermen and is now done with 15,000. But even with 15,000 fishermen and the present total production, the per capita production is not high enough to compete with other industries.

Mind you, these figures are misleading, because the fishermen in Newfoundland form two categories; the professional fishermen who fish the year around, early and late, and the fine weather fishermen who fish in July and August. The exact relationship and number of these two groups I do not know; but when we talk about the per capita production, as it presently is about 75 quintals per man, that does not cover the whole story. For quite a number that is not their total for the whole year.

I do not think, until we get the per capita production up to 110 or 115 quintals per man, that the industry can really compete with other industries. In that connection it is interesting to note that fishermen working in trawlers, for example, produce about 650 quintals per year. They work the whole year around to do that. Another





type of boat has been recently developed, the long-liner. That would seem to offer better possibilities than trawlers, most of which, incidentally, operate at a loss.

The situation with the small boats, of course is too mixed up to really establish a pattern at all. But whilst the average today is about 75 quintals per man, I believe that boats fishing from fresh fish plants using modern equipment can work up to about 125 quintals per man, whereas long-liners can bring it up to 350 quintals and even 500 quintals. That, for a short season, is quite impressive.

MR. GRAUER: Would you mind telling us just what long-liners are?

MR. MONROE: A sort of mechanized boat, as much as you can mechanize economically. It is a term loosely used, but the boat has a lot of mechanical gear for the men. A long-liner under the best conditions can produce a million pounds of fish a year, and that is about 2,200 quintals. That is quite impressive. There are not too many of them.

MR. GRAUER: You said earlier about 115 quintals per capita.

MR. MONROE: If you take the maximum for which you can find an outlet, and divide it by the minimum amount per capita necessary to produce levels to supply present construction,



we must conclude that the fishery cannot support many more people. If the present per capita production is to be increased and the bottleneck is to be the market, I rather doubt whether a market will be found for more than the equivalent of one and a half million quintals.

MR. GRAUER: Both salt and fresh?

MR. MONROE: That is right. There is one potential, though, that we have in Newfoundland which is not scratched. That is the trap fishery. Just what a cod trap could yield if it were hauled as often as it could be is anybody's guess. I think there is a tremendous scope there for development. Fish has to be taken from the fishermen as quickly as it can be brought in, and taken as it comes from the water. When you consider that something like two billion pounds of fish are taken off the Newfoundland coast during the year, and we produce probably five hundred thousand pounds of that, a quarter of it, it gives food for thought. These fellows go out in expensive ships and catch the fish, while the fish swim in to us and can be caught exceptionally cheaply here. The industry has become too elaborate today. The fresh fish industry has become too elaborate and the salt fish industry has to adapt itself to changing conditions. That too necessitates a lot of money and a lot of organized thinking, and original thinking.

MR. GOLDENBERG: Would that involve a reduction in the number of fishermen?





MR. MONROE: I think it could maintain the same number and perhaps increase capacity by about 50 per cent. I think this is necessary to keep them away from other industries which are begging for them and will continue to beg.

MR. GOLDENBERG: There are now 15,000 engaged in the fishery?

MR. MONROE: That is the figure.

MR. GOLDENBERG: The latest figure I have is between 16,000 and 17,000. Do you think it is lower than that, or will be lower than that?

MR. MONROE: Well, some of the people presently fishing may drop out, but I can't think that employment at the bases will not be cut back before too long, and perhaps 25 per cent of those turned off the bases will go back to the fishery.

MR. GOLDENBERG: Would that be regarded as an increase in per capita --

MR. MONROE: Obviously it is just a matter of dollars and cents. I think, in fact, a great many people would be satisfied with a little less than if they worked otherwise. A lot of people disagree. There are areas where you won't get people away from the fisheries. And don't forget this; what you earn living in St. John's, working as a carpenter, should not be compared with what you earn living in an outport where you can cut your own wood, have low taxation, and build your own house. Living expenses are a great deal less than living in the city. The comparison has to



be amended.

MR. GRAUER: Incidentally, in these outports, are they covered by such things as radio? I don't know if there is television as yet. Does radio reach them?

MR. MONROE: Yes, and television is rapidly catching on.

MR. GRAUER: They soon will have as many recreational facilities as the city?

MR. MONROE: Presumably so, if they could be centred in small towns where the amenities could be provided. Unfortunately there is a large amount of theory in that, and does not entirely work out in practice. I mean, fish get out around the headlands and do not go up into the bays. They tend to avoid these towns and bright lights, and to provide the amenities on the headlands is not always practical. But it is interesting to note that where the fresh fish plants go up there is definitely an increasing return to the fisheries each year. It is also interesting to note that one of the causes of a good deal of worry and confusion in the fresh fish industry is the summer fishermen. - I am talking about these fellows who start in July and give up at the end of August. They crowd the place out in those months, and then are gone again when you need them. It follows if you have enough of the type of boats that fish early and late you get





much more results.

The only other point I can think of to elaborate on your brief, which I have just touched on, is this trap fishery. I do really think that is something that could be done on a national scale, in a gigantic way. I think if you were to pay the fishermen 1.1 cents-- the figure I was working with was one cent a pound -- for fish coming from the water, they could do extremely well for themselves. I think at that rate it is possible to take their fish and fillet it and use the scrap for fish manure. You mentioned that in your brief, but I would like to emphasize that this line of development is very important because it can be done on a scale which could really make a dent in the economy, I think. Fishermen would get about \$5.80 per quintal for fish right from the water. What they can bring in is not constant, of course; it varies from one place to another. It is quite a gamble, but it would be quite attractive to the fishermen, who would go for that hook, line and sinker.

MR. GRAUER: Is there anything in particular holding it back?

MR. MONROE: I think it could come in time. It is a comparatively new idea. The industry has to adapt itself to changing conditions. People are not going to bake fish any more, or even split salt fish.



MR. GUSHUE: You would probably drive your overhead up by designing plants to be operated for six weeks or so and maintained for the rest of the year.

MR. MONROE: I don't think so. For instance, we are entering a period when we will have the capacity to produce perhaps 80 or 90 million pounds, and presently we will never market it because we have not the markets for more than 50 million pounds. It is all very well to face that situation, but face it with an alternative way of treating the fish. It is rather dangerous now. If we were handling trap fish in the way I am talking about, which would justify the provision of these facilities, then these facilities would be used to take up additional fish for the rest of the year as well as providing the escape valve so necessary when the supply situation is big.

MR. GUSHUE: Your trap fish production is geared to peak periods?

MR. MONROE: Yes; and by keeping the freezer there all the time you would pay one price for fish for freezing and take this trap fish as it comes from the water, contract with the fishermen to take all they bring in and as quickly as it is brought in, and give them a minimum price; that is for salting only. You could put down in a comparatively short trap season enough to keep





a dryer going perhaps to mid-September, a mighty big dryer to handle these facilities for salting, and the dryer could be used for periods of glut or when there were more fish than expected. You see, we have a lot of eggs in one basket when we are entirely dependent on the United States market, and that is rather dangerous.

MR. GUSHUE: I understood that all trap fish would be taken and salted or filleted.

MR. MONROE: Yes. Immediately there is a selling job there. On paper it makes pretty good sense. Instead of salt-drying, packaging and transporting tails, bones, and skins, which are ultimately discarded by the consumer, you turn those into fish manure, for which there is always a market. The people who use salt fish are used to salt fish and not fillets, but I personally think that could be overcome. In fact it is being overcome already. There is a move in that direction in the Caribbean area.

MR. GUSHUE: How do you regard the question of United States tariffs? I take it from you the United States tariff is really designed to protect the processor in the United States, and therefore you send the fish in blocks and they process it. Do you think the tariff has any effect on the volume of consumption in the United States, that without it consumption would be less or would go up?



MR. MONROE: I think the consumer is bound to be influenced by price. I believe<sup>an</sup>/in-crease in tariff today would be passed along to the consumer to a large extent and would not affect the imports very seriously. I know a great many people disagree, but this business of processed fish in the United States, as I have said before, has caught the public imagination, and when it started everyone and his brother got into the business of producing fish sticks. A lot of those people had no business in the industry at all.

When things like that happen it is always the same. They are getting squeezed out, and it is coming back to a comparatively small number engaged in processing. I don't think those people would buy the local American fish. I believe they would rely on quality. After all, they are spending a great amount of money promoting consumer demand for their brands, and what is going to be uppermost in their minds when making their purchases is quality. If the imported fish is better than the local stuff that is what they are going to buy. I don't think the small difference in price is going to affect it one bit.

The difference in price may affect consumption slightly. This fish stick business has gotten off to a flying start, and I think a great many people have wanted to try it. A great





deal of money has been spent on promotion. It has been phenomenal, but the results by advertising standards are disappointing. In other words I think there is a sort of period of adjustment. Last year they had promise of a far larger consumption than they had early this year, but now it appears to be moving forward again.

MR. GUSHUE: You think it is just levelling off, then?

MR. MONROE: Yes. A great many people have tried it. Promotion quite definitely gets results, but it is a slow, uphill gamble. The promotion this year in the United States was tremendous and the results were disappointing. But that is a passing phase, I think, and I don't believe that should influence our thinking here.

One thing that might influence our thinking here is this. We are going to have to find a market for the 90 million pounds we are capable of producing. It stands to reason that we have to pretty nearly dominate that market. That I do think we are capable of doing, but I don't think we are going to make friends in the process. I believe we can produce fish cheaper than most countries, and we may push out some people who can produce; I am thinking particularly of Iceland. They have been pushed out unceremoniously in the last five years, but fortunately for us they lost



two years while fully occupied with a contract from Russia. It happened that way. In the meantime we were getting ourselves pretty well entrenched. But that is the danger with this product; in selling blocks you are competing with every other block producer everywhere else. You have the Icelandic competition, and you have no consumer brand of recognition nor anything else.

MR. GUSHUE: The fish loses its identity.

MR. MONROE: Yes. Some of the exporters have built their own processing plants in the United States and have got a little security, but there is no real security. I think there should be more of that myself, particularly in this province.

MR. GUSHUE: Are you reasonably satisfied that a good market<sup>ing</sup> effort has been made.

MR. MONROE: The marketing efforts just mentioned are somewhat restricted by the inability of Trade and Commerce to help us in the type of barter deal that is necessary to sell fish in a great many countries such as Israel, Rumania, Poland -- I am not quite sure -- Czechoslovakia, quite definitely. Then you are up against hard currency difficulties in Australia and New Zealand. If barter were made acceptable, importers definitely could go to the market in Australia, I am sure.





MR. GUSHUE: What about Canada; is there a pretty adequate market down there?

MR. MONROE: In Canada, I think so, yes. Everybody is trying to sell those people, so competition is pretty keen, but I think Newfoundland holds its own there. And I think the promotion behind the sale of fish is pretty good throughout. I believe the division is pretty even with British Columbia getting about a third, Nova Scotia about a third and we about a third. But it is rather disappointing in western Canada, because the population is rather too scattered for cheap distribution of frozen foods. There is no question about it, the fishing industry in this country has been tremendously helped by the boost in sales of frozen foods today. Facilities for the distribution of frozen foods have been multiplied again and again in the last five years, and that helps us a great deal.

MR. GUSHUE: Mr. Monroe, how would an improvement in the exchange, that is a disappearance or lightening of the restrictions, affect Newfoundland's trading position? That is, if you could look ahead and assume a period without restrictions, what would be the effect?

MR. MONROE: I know a little about the frozen fish industry. The marketing agent for salt fish for ten years has been NAFEL, and I don't know very much about that. I would think there would be possibilities of selling more



frozen fish, if exchange restrictions were lifted to all the soft currency countries, Australia, New Zealand, all those countries in Europe, and the United Kingdom itself.

MR. GUSHUE: Do you think there is a possibility of sending fresh frozen fish throughout Europe, traditional buyers of salt fish?

MR. MONROE: I rather doubt it, but I think there is the possibility of a cross between frozen and salt. There has been a movement afoot for some time to develop a lightly corned frozen fish, which conceivably could catch on in some of these places. Fresh fish is exceptionally bland, and in the tropics they want something with salt in it. I look forward to the day, when Valleyfield gets working, when we will have a variety in fish, sort of camel-hair and other varieties, etc. I don't think that is so far off. After all, salt fish is controlled spoilage. That is what it amounts to. It is just the same as the cheese industry. They have some stuff today that resembles ocher quite closely.

MR. GUSHUE: I just want to follow that question with one other. The United States tariff, while it does not interfere with the volume of consumption in the United States, does require Canada and other countries to send fish in rough form rather than in the finished form. That is the position, is it?





MR. MONROE: I don't think it would interfere very much with the import of blocks for processing in the United States, for the reason that those firms there have spent a lot of money developing their own trademarks, and are going to look at quality before they look at prices. Even if the cost of our fish increases by a cent and a half as against the local American product, I very much doubt if it would seriously affect the imports of frozen blocks for processing. It would affect the regular packages, I think, to a greater extent.

MR. GUSHUE: It would give the Canadian and Icelandic producers an opportunity to send in more of the fish sticks and so on?

MR. MONROE: No; the 30 per cent duty on sticks constitutes a virtual embargo. The duty on breaded fish is only 13 cents and we are sending that in, and we can compete. We can just about do that, but we cannot send in cooked fish and pay 30 per cent.

MR. GUSHUE: So there is an embargo against you.

MR. MONROE: Yes. So instead of building up processing plants here we build them there. That is what is being done.

MR. GUSHUE: Then the labour will be there instead of here?

MR. MONROE: Yes, but the amount of labour is not particularly important.



MR. GRAUER: Mr. Monroe, we appreciate your giving your time to come here and give us the benefit of your experience in this industry.

We have here another representative of the basic industries of Newfoundland, Mr. Lewin, first vice-president of Bowater's. Perhaps you would give us the benefit of your ideas on the prospects of the industry, Mr. Lewin?

MR. LEWIN: Mr. Chairman, I am rather like Mr. Monroe; I have not prepared any particular notes. I notice this is called the royal commission on Canada's economic prospects, and in so far as we are concerned, that is Bowater's in Newfoundland, I think it is of interest that when we came here in 1938 production at the mill in Corner Brook was 165,000 tons. That has been exactly doubled. It is now 350,000, and we are intending to spend some \$10 to \$12 million dollars in increasing the production at Corner Brook by some 20 per cent. That will take place, I hope, within the next couple of years.

It was interesting to read, and listen to Mr. Goldenberg's suggestions in reference to the pulp and paper industry. But quite obviously any pulp and paper mill in order to operate efficiently and economically must have four essentials. Those four are that you must have an adequate supply of wood and power at an economic price, you must have a sufficient labour force, and of





course you must be able to ship your product to the markets at an economic price to compete.

In Newfoundland -- and when I talk about Newfoundland I mean the island of Newfoundland -- the two pulp and paper companies have all those four benefits, with one qualification as far as Corner Brook is concerned. Cost is slightly higher than the average for Canadian industries. The reason for that is that we pushed up our production to such an extent that we have to buy about one-third of our wood and bring it in by water. We bring it from as far as three hundred miles, from the east coast. That has the effect of putting up the cost by something over \$7 or \$8 a cord. But if we did not do that we would not have enough wood. The wood is spread all around the island. We operate on the south coast, on the east coast, on the northeast coast and on the west coast. Only one-third of our total wood requirements come down the watershed of the Humber river.

MR. GRAUER: That means you have to stockpile wood to a certain extent?

MR. LEWIN: We only stockpile to the extent that any other mill does. When the freeze-up takes place we must have enough wood to meet the mill's needs. We cannot bring it in by water, as the water is frozen.

The reason I mentioned that point



is because the question of Labrador arose. Of those four essentials you have only one in Labrador, relatively cheap power. As the Premier said, there is more standing timber in Labrador than in Newfoundland, but it is relatively inaccessible. I cannot conceive of a mill being built, say, at Lake Melville and, as the Premier said, store the paper for eight months. He admitted another point also, that you have to store an equivalent amount of paper for your customers. Obviously customers cannot wait eight months to get a supply of newsprint. I think as far as Labrador is concerned you have to look at it in this way. It is similar to the iron ore. What are you doing with the iron ore? You are digging it out of the ground and shipping it somewhere. That is what you will do with pulp, when and if the time comes that you can ship it at a price.

But, as I said, we are going to spend some \$10 to \$12 million dollars to increase the output in Corner Brook. We are going to harness the Corner Brook river itself, which will give us another 13,000 horsepower and we are putting in a telephone generator set whereby the power will be upped by 10,000 horsepower.

As far as wood is concerned, the royal commission on forestry suggested that in 35 years we would not have enough wood. Well, I am expressing my personal views, not as an officer of Bowater's, and I disagree with them.





There is a lot of talk about the forest. As you see it today, it has been cut but it is in exactly the same condition as it was a thousand or five thousand years ago. It does not change. I went all over Labrador in 1937 and it is exactly the same today, except for trees might have been blown down or eaten by insects. But it is in a stable condition. Your virgin forests in Newfoundland, if you can guard them, harvest about eight cords per acre, but figures show that in thick forest you are going to get almost twice that amount.

That is something well worth bearing in mind. It is true that that forest will not produce trees suitable for pulpwood in under something like 60 or 65 years, depending on the climate and the soil conditions. But say it takes about 60 years to harvest a crop. When you think that the AND Company has been operating since 1909, that is for 45 years and before very long they will be cutting the second crop. We are in fact operating 30 or 32 years, and we are already able to take some wood off territory which has been cut before.

The point is that we are going to go ahead in spite of the pessimists, because history has shown right across Canada that while now and then someone says the forests have been cut out, the capacity has gone up to three times what



it was when I first came to Canada. There is still plenty of wood. And as far as the two mills are concerned in Newfoundland, even if we have not wood available, or don't think we have, there is always the Atlantic coast of Labrador - not the Lake Melville side but the Atlantic coast, where there is a tremendous amount of wood. I don't think we need have any worries about the expansion of existing mills.

As far as a third mill is concerned, it is somewhat controversial. That problem is being tackled by joint agreement among the provincial government and the two paper companies, whereby a survey will be made of all crown lands to determine the maximum amount of wood on these lands. When that is determined then it will be up to the government to decide what stand, if any to take, and what crown lands could be cut for pulpwood. The existing pulp and paper companies are not permitted to take any wood off crown land.

I imagine you all want me to get finished, as you have to catch a plane, but I have one or two interesting things to say. Mr. <sup>was</sup> Smallwood/surprised that we employed 2,300 persons in the mill. Well, that is the figure today. The average number of men employed in the woods varies from 6,000 down to a few hundred. Our payroll today is \$16 million, and of that the 2,300 persons earn \$10 million a year, which is





very nearly an average of \$4,800. That is not peculiar in Newfoundland; the rates paid are the same as on the mainland, but it does show a picture of the economy of the pulp and paper industry. In other words we are paying out something in the order of \$16 million a year in wages, and it will go up to \$20 million in two years.

MR. GRAUER: Is that seasonal employment too?

MR. LEWIN: Yes, in the woods. Mr. Monroe mentioned the various types of fishermen. There are quite a lot of fishermen who fish for a period and then go in the woods. The average man, I would say, earns something over \$300 a month.

MR. GRAUER: Is there a great turnover?

MR. LEWIN: Yes, tremendous. The average man works in the woods not more than fifty days. They come and go and earn their \$200, \$300, \$400, \$500 or \$600, and off they go. Some men work only a week, some three months, and so on.

The value of our product is of the order of \$43,000,000 at the present moment, and may go to \$50 million. An interesting note is that some \$14 million of that is represented by purchases made by Great Britain. I would



lay emphasis on the fact that something over one-quarter of our production is sold to Great Britain.

I do not think I have anything further to add.

MR. GRAWUER: The Labrador stand is available, or could be shipped out by water, if necessary?

MR. LEWIN: Well, not completely. Surveys have been made there. There have been various surveys made around Lake Melville, and the IBEC Report Mr. Smallwood spoke about, and Bowater's made surveys and so on there. There is something in the order of 40 million cords of standing timber accessible, but there is a difficulty in connection with driving. But on the coast, that is apart from Lake Melville, there is something like five or six million cords that can be harvested. At the present moment there is a very small operation going on there. A lot of that forest has been hacked out over a period of time, and quite a lot of money could be spent to develop it. But that wood could be produced as cheaply as wood is produced anywhere in Canada, at that point. Then of course we would have the shipping charges, and that is something of the order of \$10.

MR. GRAUER: What is the estimated amount of standing timber on the island itself?





MR. LEWIN: Well, it is in the report here. I don't know how accurate it is.

MR. GOLDENBERG: All I have here is the average cost of producing pulpwood.

MR. LEWIN: We don't know what is on crown lands. I would hazard a guess and say something of the order of 30 million, but we won't know until the survey is made. We think we do know, and we think the AND Company knows. You take 8 cords to the acre, which to me is more realistic than the commission figure. But there is no estimate as to how much of that wood is economically accessible.

MR. GRAUER: I guess you don't know what you have until you go in to get it?

MR. LEWIN: No. There is a tremendous amount of wood that has never been cut, which under existing conditions will not be cut, but may be cut 10 years from now.

MR. GUSHUE: Do you think, Mr. Lewin, it would be fair to ask you to project your mind about 10, 15 or 20 years, and direct a question to you on that?

MR. LEWIN: Yes; I think it would be a very fair question. Our views at the present moment are these. In Great Britain they could probably take another half a million tons of newsprint. They are not even consuming the same quantity of newsprint as before the



war. That figure has been calculated, but I cannot remember the exact amount. Then in North America alone they think it is going to go up by a quarter of a million tons a year. It has gone up about half a million this year. Projected over a period, the demands in Canada and the United States alone in the next decade or two will exceed those of the rest of the world.

MR. GRAUER: Does the currency situation affect them?

MR. LEWIN: It does to a certain extent, yes. But we cannot supply our customers now, and we have increased production with another machine in Tennessee and probably a fourth one, and four new machines in Canada. I suppose the only thing would check it would be a depression.

MR. GRAUER: Everybody assumes an expanding economy these days.

MR. LEWIN: That is right. Our guess is that the market is going to rise something in the order of 3 per cent, as advertised in your gross national product.

MR. GUSHUE: Do you see any threat to our pulp and paper industry coming from the southern States?

MR. LEWIN: None whatsoever. We can produce newsprint very much cheaper, as the figures will show. That is quite simple; it is purely the lower cost of the wood. Twenty per cent of the total production of newsprint





in Canada is made in British Columbia, and is not going to affect the pulp and paper industry of Canada as a whole, in my opinion.

MR. GUSHUE: There is room for all?

MR. LEWIN: There is room for all. Mention was made of hydro power. Looking to the future, economically, I think that is one thing we should take a very, very close look at. The British-Newfoundland Corporation have the hydroelectric rights, you see, and one of the few open ports on the whole of the Atlantic seaboard.

MR. GUSHUE: You have not enough wood in that area?

MR. LEWIN: No, it has to be brought in. But 10 years from now all these figures will not mean anything, in my view. The techniques of converting wood into pulpwood and paper are going to improve. You are going to get more pulpwood out of a volume of wood, and where it now takes two cords of wood to make a ton of sulphite it may take one ton of wood. The time could come when it would only take one-half cord of wood to make a ton of pulpwood.

MR. GRAUER: Something of the order of 50 per cent greater utilization?

MR. LEWIN: Yes, with chemical pulp. In fact what you do is put your wood, made into chips, into a digester and it goes



down the cylinder where the whole log is ground up. The time is coming when you are going to get a much higher yield on account of chemicals.

Another thing worth mentioning is that within that 10 years I would say birch will be used to make pulp, not to make veneer but newsprint. You will certainly be able to make pulp out of it.

MR. GUSHUE: And the transportation question?

MR. LEWIN: Quite right. The mere fact of building roads would allow you to cut down birch and put <sup>it</sup> in log form and ship it to the mill. That could not be done before, because it is heavy and won't float.

MR. GOLDENBERG: Do you agree on the urgency of roads and road construction?

MR. LEWIN: There is no question about it at all. We now only pay the C.N.R. only half what we formerly paid in freight rates. We transport it in trucks. Trucks also consume gasoline and pay fees, etc., which makes for revenue.

MR. GOLDENBERG: Mr. Lewin, do the absence of public services in Newfoundland impose obligations on your company and the Anglo-Newfoundland Company which are rather greater than those of other companies in Canada?





MR. LEWIN: Well, certainly, yes, in so far as buildings are concerned, and roads and the like.

MR. GUSHUE: I noticed in the papers this past week something about your use of power saws. Does that not add to the cost of operation?

MR. LEWIN: Not to a very great extent, because when a man is mechanically minded and the power saw breaks down he will repair it himself, if not he is going to lose a lot of time. But the handling of the power saw, as such, we feel has its limitations. There are a lot of men who can cut four times as much with a field saw or a buck saw. Then on the other hand power saws are expensive and the maintenance on them is very high.

MR. GUSHUE: There is no indication of their revolutionizing the cutting of wood?

MR. LEWIN: Not yet.

MR. GRAUER: Mr. Lewin, I know you are hoping to catch a plane. Thank you very much for appearing and giving us the benefit of your experience.

This concludes the hearing of the royal commission on Canada's economic prospects in St. John's, Newfoundland. Thank you all.

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ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS

V. 2

HELD AT

HALIFAX, N.S.

October 19-20-21, 1955





HALIFAX, NOVA SCOTIA

The sitting of the Commission in Halifax was held in the council chamber, city hall, at 2:30 p.m., Wednesday, October 19, 1955.

Present: Mr. W.L. Gordon, Chairman;  
Mr. Omer Lussier;  
Mr. Andrew Stewart;  
Mr. Raymond Gushue;  
Mr. A.E. Grauer.

Appearances: His Worship L.A. Kitz,  
Mayor of the City of Halifax;  
Mr. C.P. Bethune, City Solicitor,  
City of Halifax;  
Mr. R.J. Rankin,  
Chairman, Port Commission of Halifax;  
Dr. A.R. Morton,  
Commissioner of Public Health and Welfare,  
City of Halifax;  
Mr. A.R. Harrington,  
Assistant General Manager,  
Nova Scotia Light and Power Co. Ltd.

THE CHAIRMAN: Well, I think we might call this sitting to order. In doing so I would like to say not only how pleased we are to be in Halifax, but how pleased we are to be re-united. We left two of our members behind in St. John's yesterday, and from the look of the weather we were not too sure whether they would turn up. They are both here, however, and they look well. I would like also to say how grateful we are to those who have taken time and trouble to prepare briefs for presentation to this Commission, in what



been not a very long period of time. We are conscious that you had to prepare these briefs in what was really a matter of a hurry, and we are especially grateful that you are helping us by having done so because we have fairly extensive terms of reference, to put it mildly, and we can only do this job with a lot of help and assistance from people right across the country. We are very grateful that so many people and organizations in Canada have agreed to give us the benefit of their ideas, and in order to do so have done a great deal of work.

Mr. Bethune, are you going to lead off?

MR. BETHUNE: I thought perhaps His Worship the Mayor would lead off.

MAYOR KITZ: Mr. Chairman and members of the Commission, I propose first of all to say a few words in general, and then go on to present the first half dozen pages of this brief which is being presented on behalf of the city of Halifax. When I get to that point, Mr. Bethune will take over.

First, however, on behalf of the city of Halifax I want to welcome you and greet you most warmly. We are delighted to see you in Halifax. We are pleased that the government had the wisdom to hold an inquiry such as this, and we are happy that Halifax is being visited so early in your tour.

Yours is certainly a great challenge, to make a stimulating inspection of the future of our country. As a result of your inquiries and from the information you receive you may be able to deduce part of the future, and help frame legislation that will follow a pattern which may meet conditions that could arise in the future.





are happy that Canada has been fortunate enough to gain persons of your energy and your diligence to perform this task.

Perhaps we are also happy to see you here in Halifax because, apart from certain of our mining towns that have suffered boom and bust, there is no other part of our country which is so sensitive to the rise and fall of economic and political events; that is, world political events.

Basically our prosperity turns on the port. The port does well in good periods, though it is a melancholy thought that it does better in times of war, both fighting wars and latterly cold wars.

Finally, we are anxious -- and this is not part of our brief but it is part of the bigger picture -- that you should direct your minds and your thoughts to the question of the concentration of armed forces in this area. There has been a very large number of naval personnel here. We think if they were ever moved away in large numbers there would be a withering effect on the economy of this area. I refer to the armed forces generally, of course, and the allied industries which are present because the forces are present.

Let me conclude this portion of my remarks with this thought. A few weeks ago I was fortunate enough to be present in Ottawa when the various premiers met the federal government at the Dominion-Provincial conference. Some of the more well-to-do provinces pointed out that because of their expansion they should not be called upon to do much to help the less privileged parts of our country, although they felt very sorry for the



uation that existed.

They brought to my mind the lines of Lewis  
roll in the story of the walrus:

"I weep for you the walrus said,  
I deeply sympathize.  
With sobs and tears he sorted out  
Those of the largest size,  
Holding his pocket handkerchief  
Before his streaming eyes."

Mr. Chairman, the brief that is going to be  
presented to you is one from the city of Halifax, with  
which the Halifax Board of Trade are associated. They  
have written a letter to you, Mr. Chairman, I believe,  
which I shall read. It is directed to Walter L. Gordon,  
C.A., Chairman, Royal Commission on Canada's Economic  
Aspects.

"Dear Sir:

"The council of the Halifax Board of  
Trade is conscious of and concerned about  
the difficulties which the future holds  
for the development of Halifax and its  
metropolitan area.

"After having given careful study to  
the submission that you have received from  
the city of Halifax in respect to Canada's  
economic prospects, the council has in-  
structed me to inform you that it is unani-  
mous in its support of the brief as sub-  
mitted to you by the city of Halifax.

"Yours very sincerely,

"A. Irvine Barrow,  
President."





We have also given a copy of our brief to the Halifax Trades and Labor Council, and after they have finished perusing it we may be able to tell you that they also associate themselves with our submission.

The brief opens, gentlemen, by setting out the fact in the first paragraph that we welcome this opportunity of appearing before you, stating that the opinion is widely held that the economic ills of the Maritime provinces, and in particular Nova Scotia, have been aggravated by the scarcity of new industries and the failure of existing industries to expand. We point out that there is a tendency for industry to move toward markets in central Canada.

The city of Halifax, the capital of the province, the largest city in the maritime provinces, is vitally affected by the economic difficulties which beset Nova Scotia and her sister provinces in the east.

I think it might be mentioned, too, that initially the prosperity and economic development of this part of the country was tied to a fish exporting business. In the early part of the last century our prosperity was developed from a maritime fleet, in the form of wooden ships. That was from about 1810 to 1860, when the number of wooden ships that were built here constituted the very background of our economic pursuits -- fishing; shipping, and arising from that the setting up of steamship companies and further arising from that the stimulation of banking. Many of the banks had their inception in this very city.

The economic changes may be entirely due to technological developments and geographical location,



beyond the power of any area lying outside of the central portions of Canada to resist. The result, however, is to cause the economic development of those parts of Canada, which are far from the throbbing industrial centres of central Canada, to lag behind the advancement which has been taking place in the other parts of the country.

It might be opportune to refer you to the fact, as I did earlier, that the navy and its allied industries in this area constitute a very large part of the bread and butter. As you may know, the present enlistment in the navy is something under 20,000 people, and close to 55 per cent of that enlisted strength is located in this immediate area. They together with the shipyard form one of our chief industries. The shipyard, which is a private industry, part of Dosco, gets a large volume of its work from the navy. As far as Halifax is concerned one might almost consider it an arm of that service since in a sense it is doing the same type of work.

Then we have Fairey Aviation, across the harbour, which employs a large number of men. Again this firm is allied to the armed services. We also have the Cossor, an electronics firm which located here a few years ago, which probably does a large share of its work with the navy here.

Then may I point out that our port enjoyed a good season this very summer. It is rather unusual for our port to enjoy a good season in the summertime, and this was attributable to the movement of goods and commodities which went up to the D.E.W. line firms.





movement of goods of that sort, gentlemen, requires very exact type of packaging and a very demanding type cataloguing; and it was a very nice fact that last summer we had in the vicinity of \$1,000,000 in payroll for stevedoring, for labour and things of that kind, and we had as many as 150 persons engaged in doing the cataloguing.

Then in our brief we say that the present disparity in economic development is not due to the lack of skill on the part of this area to compete on even terms, but is due to events and circumstances beyond the power of this area to control. Then we say it is our opinion that a duty rests upon the government to take such steps as will result in an equalization of economic conditions as between all parts of Canada, so that as far as possible those sections will be helped which are not developed as greatly as the more well-to-do parts of our country.

This is one of the themes made, and I think properly made, by our political historians; that consideration initially was a partnership of equal provinces; and we say it then follows that if through the development of the partnership some portions derive greater benefits than others, those not so well off should receive help from those which are better off.

Perhaps you will bear with me if I refer to the historical background of this city. Most cities grew like Topsy through the years. In this country most cities were established either because of their nearness to a natural resource, or because they were at the confluence of rivers; but Halifax was planned and brought into being



most overnight.

Halifax was brought into being because of  
main reasons. Back in 1749 they started off one  
with a population of some 2,500 souls brought over  
at the invitation of the Lords of Trade and Planta-  
tions, who wanted to set up a settlement in this area  
own as Chignecto.

There were two reasons for this. One was  
the fact that Louisburg, which had previously been con-  
sidered in one of the great battles of history -- which,  
looked at in retrospect never should have succeeded.  
It thanks to the spirit, the industry and technique  
and so on of the troops under Amherst, which came from  
the New England states, Louisburg was taken.

Then to everyone's astonishment, shortly  
after it was taken it was given back to the French.  
No doubt the people of New England thumped their desks  
when that was done. When that happened, no doubt the  
British government felt that a counter measure should  
be taken to offset the threat of Louisburg.

A second reason was that the French were  
then in large numbers along the area of the Fundy shores,  
what was then called Port Royal and is now called  
Annapolis Royal, and a British colony was considered  
necessary to offset the latent potential strength that  
lay there.

One reads with a little amusement, though,  
the original advertisements that were published in the  
London Gazette by the Lords of Trade. One of the things  
offered incoming settlers were 50 acres of land  
with all the necessary tools for farming and to improve





land to be given to the settler. No doubt they  
in mind the fertile country that lay around Port  
1, than which there is none better in growing  
ity. Our immediate peninsula would try the soul  
he most adventuresome farmer.

Halifax was established, then, in that way;  
only because of the need for defence but because  
investigation carried out revealed at an early stage  
great commercial advantages which might be derived  
Nova Scotia if it were properly supported and  
proved.

Since the day of its founding Halifax  
been one of the leading ports of the Atlantic, and  
justified the wisdom of those who founded the city.  
has been a bastion of defence to Canada, particularly  
the first and second world wars, and has been a gate-  
to Canada without equal. Indeed, gentlemen, during  
last war there were many months during which the  
al shipping tonnage passing into and out of the port  
Halifax exceeded that of any other port in the world.

It may be said that much of that tonnage  
from abroad; that it was brought up here in convoy  
Bedford basin at the end of the harbour; but whatever  
e that did, it provided very good wages for the pilots.  
any case, that does not take away from the fact that  
h a great volume of shipping passed through this  
bour.

The port of Halifax, because of its all  
r round availability and general excellence, could  
used to much greater advantage for Canada than it  
in the past, and it is our hope that it will be



to continue to fulfil its destiny in Canada and  
become the centre of trade and commerce for which  
was famous for many years after its founding.

This may be not a bad place for me to inter-  
at this further point; that we are very proud of the  
of Halifax. We think it is a good place in which  
live. We say this is material to your thinking,  
because it is such a pleasant place to dwell, to live,  
and to bring up one's family.

We enjoy a very equitable climate. We have  
lively and good symphony orchestra. We are active in  
theatre. We have several flourishing concert  
societies which operate here; Community concerts; Wiseman  
concerts; the Opera Guild. As part of good living we  
have the finest sailing one can hope to enjoy. Golf and  
tennis and all the sports are pursued here very actively.

We have three universities. We have  
Dalhousie, which of course needs no praise on my part.  
We have the new St. Mary's University, a very handsome  
building, and the Technical College, as well as King's  
University which is allied to Dalhousie.

In the matter of our universities, rightly  
or wrongly this city of Halifax some six years ago, dur-  
ing one of our drives, contributed the sum of \$50,000 to  
that university of which we are all so proud, and which  
we want to see advance. It may be, since Dalhousie is  
now looking for more funds, that we will again be called  
on to make contributions to it.

I point that out to you because I have no  
doubt you will hear from time to time that universities  
require assistance from the federal government. We in





Halifax have already gladly assumed the role of providing assistance for our universities, which we are so happy to have located within our borders.

I am going to read one more section of this report and comment on it in so doing. I refer to section 1. I think you will then get a picture of our physical assets and of our population.

The population of the province is something in the vicinity of 700,000 persons. The population of Halifax is about 100,000 people. There are 200,000 people in the metropolitan area, so you see we constitute something under a third of the population of this province.

MR. LUSSIER: The 20,000 naval personnel; are they included in your figure?

MAYOR KITZ: About 10,000. Actually, sir, I would think more than half of them are stationed on the Dartmouth side.

We have recently, within the past two or three weeks, had the benefit of a reassessment, or I would more properly call it a revaluation, of all the physical assets of our city by the Cleminshaw firm, and we think this is a reasonably accurate figure. According to this revaluation we have in the city of Halifax land and real property values in the amount of \$52 million. We had previously been using another yardstick for assessment purposes, which was \$150 million.

I believe we are in third position behind the city of Ottawa and I believe the city of Esquimalt. This is not an honour, but it happens to be the fact in respect of the percentage of non-taxed property in the city. The exempt properties in the city of



tax are a startling percentage, which you will see in this catalogue of figures. For convenience I shall refer to the Cleminshaw valuation table, which are the figures in the right hand column. Out of a total of \$1 billion in value we tax a total of \$253 million. Exempt properties total \$199 million. The value of federal government property is \$119 million; the value of provincial government properties is \$14 million and what I will call our own is \$64 million. The details of this are shown in Appendix A of our report.

It might help you gentlemen in considering our tax structure, to turn your attention, if you please, to the insert on page 4, because --

MR. STEWART: Which valuation is used for assessment purposes now? I notice on page 15 a rate of 69.45 mills. Is that on the Cleminshaw revaluation?

MAYOR KITZ: No, we have not adopted that yet. The last operative figure was our own valuation of \$149 million.

We have in Halifax something which is certainly unique in Canada, and as a matter of fact there is now no other municipality on the continent where it exists. If you look at the third column under the exemption of tax rate you will see that from 1935 to 1942 we had a tax rate that ran from 3.56 up to 3.78. Then when you get to 1943 you will see two figures; 3.50 and 3.75; for the next year, 3.50 and 4.85; for the next year 3.50 and 4.75, and so on. You will also note that the





and figure increases until it reaches its peak in 1942, when the two figures are 3.50 and 10.06, while for the last three years the figures have been 3.50 and 9.95.

What is that? In 1943 the city divided its assessment into two parts. Those properties which were assessed for residential purposes were struck at a rate of 3.50 per cent, and all others were put in at the so-called commercial rate. The 3.50 rate was a frozen rate; the other rate, as you can see, galloped up to a high of over \$10. That is what we refer to in our brief, as you will see, as the residential rate and the commercial rate.

However, I can say confidently that the expenditures made by the city of Halifax have been carefully geared, and I feel satisfied that we have been free of no lack of prudence and no extravagance in our annual budgets. But you will see that in 1935 we spent \$346,000, while our budget for this present year is under \$10 million; it is \$9,538,000, to be exact.

Then I refer you to paragraph 4 on page 5. We have received grants from the government of Canada in the amount of \$360,000. I presume you know the general nature of federal grants for government properties, but to avoid the risk of telling you something you already know, I might just briefly say this, that the government pays for buildings where there are a few scattered government buildings in a municipality, they will not pay taxes. However, where the concentration is such that it exceeds 2 per cent of your total assessment, the crown will pay that surplus; and just this year they lowered that formula to the excess above 2 per cent. We have yet to make a reckoning of what that additional allowance will



n, but that is how it stands at the moment. We anticipate that this figure of \$360,000 will grow under the new formula.

Mr. Bethune may develop this point a little further later on, but I cannot fail to point out to you that of our total Cleminshaw valuation of some \$450 million nearly 10 per cent, or \$42 million, is attributable to the properties of the National Harbours Board. In other words a dime in every dollar of our valuation is in National Harbours Board property. That is taxed on the 2 per cent basis, not on the 4 per cent basis, -- and I say this not in any particularly derogatory terms -- on a take it or leave it basis by a small grant for a five year period ending this year of \$50,000 a year, and a proposed grant for the next five years of \$75,000 a year.

Then we get from the Canadian National Railways a grant, again pretty much on the same basis of take it or leave it, of \$75,000 a year, and we get a grant from the province on a contributing basis of \$30,000 a year for our library.

In that connection I may say to you that our budget for our library, of which we are extremely proud and happy, is something over \$150,000 a year. Our library has been doing very well indeed. It is a most active institution, growing all the time.

Then we point out, if you will refer to the paragraph third from the bottom on that page, that we get a contribution from the National Research Council. Indeed, gentlemen, there is no comprehensive picture of what the government pays by way of grants for their





erties. The National Harbours Board has one approach; government has another approach with respect to real crown properties. The Canadian National Railways still another, and the National Research Council give full taxes on their property, their lovely, fine new building in this city. It pays full tax rates. When I "full tax rates" I ask you to bear in mind the differential under which we operate in Halifax, as between the differential rate and the commercial rate. The National Research Council, in its wisdom, arbitrarily takes the rate of 3.50. We say it would have made better sense at least to have taken what we call the merged figure combining 3.50 and 9.95, which works out to 6.62. Nor do we get an occupancy tax.

What do I mean by that? We tax buildings. We tax real estate. We tax realty in one direct way. We also have a tax on an occupancy basis, but they do not recognize that second tax.

In other words -- and this is the gist of the argument -- in 1955 real property owners in the city of Halifax, assessed at \$83 million -- and the Cleminshaw figure is \$250 million -- paid in real property and occupation taxes the sum of \$6,939,175, or 8.4 per cent of the amount received in respect of exempt property. The government of Canada, valued at \$35 million with the Cleminshaw figure of \$119 million, was \$365,000, or 1.1 per cent, or under the Cleminshaw valuation this percentage would fall to about .3.

The following is the relationship in percentage of all the exempt property to the value of all real property: the government of Canada, 23 per cent, or under our new figure 26 per cent, near enough



a quarter of our valuation. The province of Nova Scotia figure is 4 per cent, and our own figure is 16 per cent.

What do we mean by our own? We mean such things as schools, county buildings, charitable institutions, churches, universities, Roman Catholic schools, convents, cemeteries, the vocational training school, and certain local properties which have been exempted by special enactments.

To put the above result in other words, the citizens of Halifax, who contribute toward the maintenance of the city in assessed taxes the sum of \$939,175, carry a burden of exempt property of their choosing of 16.3 per cent of all the real property in the city, or 22 per cent of all the real property in the city excluding that of the governments of Canada and Nova Scotia. In addition to this percentage of exemption amount to 16 per cent, the government of Canada adds an additional 23.4 per cent of exempt property, making a total of 39.7 per cent or practically 40 per cent.

I make this observation as well, that it is sometimes said that the municipalities benefit from having these buildings; that they produce income indirectly, and that your other buildings go elsewhere so you actually suffer no real loss.

If that argument has any bearing elsewhere it is little or none in this year 1955 in the city of Halifax. We are built on an island, nearly enough, and the city is about built up to capacity now. The National Harbours Board, for example, which has the cream of the





erfront, must inevitably force out what would be the normal commercial expansion.

It is submitted by the city that, considering the wide range of governmental activity carried on by governments, the operations of a government constitute business itself of the highest type. It is carried on in various parts of Canada, not for the purpose of the city or town but for the benefit of the country as a whole.

That being so, we submit there can be no valid reason why any particular municipality should be expected to bear by itself the burden of having government property, non-productive of tax revenue, which happens to be located in its midst and which requires municipal services such as streets, sidewalks, sewers, fire and police protection. All these services cost the municipality money for their upkeep.

It is submitted that from the point of view of sharing an equal burden of federal and provincial taxation, such real property should contribute to the municipality in which it happens to be located its full share of the annual cost of operating that municipality, and each share of cost is then spread uniformly among all the federal and provincial taxpayers, thus equalizing the burden. We say that the installations come because their location is suitable and strategic for government purposes, and we should expect normal taxes. The city submits that the government is business, and should be taxed as such, for no other reason than to provide equal distribution of the cost of government. A city of which a substantial portion is occupied for purposes of governmental activities



s to become a residential type of city. Such a city, as has been found, requires many more municipal services than one which is largely industrial, where a large portion of the persons employed live in the suburbs or by municipalities. Such a residential type of city requires much higher expenditures for public health, for education, for welfare and recreational services. So we become what one might term a government city.

Finally, I close my remarks to you this afternoon with this paragraph, which I think sums up in our argument. If the governments of Canada and of Scotia paid a sum equal to full taxation -- that is respect both of ownership and occupation of real property -- the amount paid would be in the vicinity of a million, depending on whether the basis used for assessing the property was residential or business.

I just want to close my remarks, gentlemen, with one further thought; that I have no doubt you will be hearing scores of briefs. The number you will hear in this part of the country will of course be necessarily limited. However, I am sure the ability of this Commission is such that the fact that a thing may be said many times over to you, perhaps scores of times, from different sources, will not give that thing or that statement any inordinate or any unreasonable weight.

I thank you very much.

THE CHAIRMAN: Thank you very much. Now may I call upon you, Mr. Bethune? I think in order to keep the records straight we might mark the brief of the city of Halifax as Exhibit 2.





MR. BETHUNE: I would like to join with His Worship the Mayor in welcoming you here. This, incidentally, is the part of Canada where confederation began, and it is our hope that the wisdom which brought about confederation in 1867 shall be exercised for many years to come. We believe in confederation, and we believe it can be made to work.

His Worship the Mayor referred to one matter dealing with the operation of the port in the summer, to show that the port of Halifax can operate efficiently throughout the year. That very operation received the highest commendation from the United States army official in charge, Colonel Dann, who expressed great satisfaction regarding the handling of this material. He also emphasized the complete honesty of those employed at that time. Apparently that is something to be proud of in the handling of shipping over the docks, which seems to be a troublesome sort of business. So perhaps with that as a commendation your commission will see fit to try out the honesty of the Halifax men of the waterfront and send more shipments.

The municipal grants that were mentioned by His Worship are only on a real property tax basis. As you know, our tax is divided in two parts; it is a tax on the owner plus another tax on the occupier, and the municipal grants only extend to a tax equivalent to a tax on the owner, so there is no consideration at all given to the other part of our normal taxation basis.

I have a submission here in the form of a letter which accompanies the brief. I would like to run down these points, because I think in this letter you will



and that many of the points we emphasize in the brief be set out, and it may save a little time.

In submitting the accompanying memorandum on behalf of the city of Halifax, an attempt has been made to emphasize certain matters which have adversely affected the economic welfare of the city of Halifax and that portion of Canada embraced in the term "the maritime provinces".

It is not the intention of the city of Halifax to purport to speak for these eastern provinces of Canada, but since the economic level of the city of Halifax is directly affected by the economic level of these provinces, it is necessary to make reference to the situation generally existing here.

Some attempt has been made to forecast the future, but many of the economic adversities are immediately present. It is hoped that you and the members of the commission will be convinced that, at long last, some constructive action must be taken to remedy those economic ills, not common to Canada as a whole, which affect this part of Canada.

There are certain specific matters, referred to in the accompanying memorandum, which demand attention. The full implementation of remedies may not be immediately possible of completion but may take some years. However, it is the opinion of the city of Halifax that action should be taken at once to design national policies with the objective in view of an ultimate solution of these problems in as short a space of time as possible.





Unlike any other Canadian city, Halifax, His Worship has said, was established, specifically, to carry out the business of government. It was first established to afford protection to trade on the North Atlantic and secondly to administer territory regarded as essential to the conduct of that trade. Commercial activity, though not considered at that time a major purpose of the establishment of the colony, was nevertheless infinitely regarded as a further advantage to be gained..

Unlike most Canadian cities, Ottawa being the only major exception, the business of government has remained the only major business in Halifax. Government business, however, has never borne the share of the community's costs incurred on behalf of the employees of that business in the same manner or to the same extent that private business has borne and still bears such costs.

The result has been, in Halifax, a lower rate for taxation (only 56.5 per cent of real property being liable to assessment), and lower revenues, despite high tax rates on high valuations imposed on private business and residential properties.

Municipal services have been restricted and will continue to be restricted, unless and until government activity is recognized as business and pays sums in lieu of taxes equivalent to those which would be paid by private business owning and occupying similar property.

In the alternative, the only way in which such fair contribution by the government towards the cost of municipal services can be reduced is by the



promotion of private business enterprises in this city which will contribute to the city's costs. In this, I believe, the government should assume some responsibility.

So far as Halifax is concerned, it is submitted that the city's natural endowment calls for the development of trade through the port. This will necessitate the provision of greater pier and storage facilities, such as those proposed as far back as 1913, when plans were made by the federal government to develop the port on both sides of the harbour by the construction of a sea wall and piers. Certain land was then earmarked for improvement but unfortunately the plans were not proceeded with.

Much of the land so earmarked has now gone into other uses. One illustration would be the block of land that is taken up by the seaward defence installation. That practically blocks our expansion that way. The only other way would be up toward Bedford basin, on the other side of the harbour, and a great deal of the waterfront is taken up by the national defence settlement there, the magazine.

Unless immediate attention is given to the matter all that remains will be otherwise occupied and the cost of acquiring the same for port development will be prohibitive.

Another essential is the improvement of transportation facilities serving the port, both highway and railway, in order that this Canadian port may be able to meet the competition of foreign Atlantic ports.





Physical facilities, however, are not, in themselves, enough, though they will be of value in developing port trade. The value of such non-physical facilities was recognized by governments, prior to 1935-1936, by the granting of special tariff concessions to those who imported goods through Canadian ports. This tariff preference resulted in retaining for those ports more than 90 per cent of Canada's overseas import trade. It was destroyed by a trade treaty with the United States in 1936, which treaty had the effect of opening the ports of that country to Canadian business. As a result there was a heavy diversion of traffic from Canadian ports.

You will notice that we emphasize the port here, because we believe that if the port can be developed and we can get enough business from the port, we will not need to go to the government for hand-outs. We do not want hand-outs. We want business from which we can collect legitimate taxes.

It is submitted, and we believe, that some means can and should be used to restore the preference on imports through Canadian ports. It is also believed that the government of Canada should take steps to convert the long discussed east-west trade policy from theory to practice and reality in so far as exports are concerned.

Today, by far the larger part of Canadian industry is located in the central provinces and they enjoy substantial tariff protection. For this, there are valid economic reasons in some instances. To the principle of protection we take no issue.



It is felt, however, and strongly felt, that if the protective policy is to be a national policy, certain further steps are required. If the eastern and western provinces are to share in the profits of protection, they can do so best, and very obviously, by supplying transportation and port services. Therefore, it is submitted, some adjustment should be made in the tariff system, or some other measures should be taken, to ensure that the protected industries, if they are to enjoy that protection, should channel the shipments of their goods over Canadian railways and highways and through Canadian ports.

Incidentally, recently the president of the Ford Motor Company of Canada indicated that they were making a study of the possibility of using Canadian ports for their exports, as against United States ports. If it is good enough for the Ford Company to at least take an interest, I think it has some merit and I suggest that to you gentlemen.

This would entail no sacrifice on the part of such industries since, at present, rates for steamship freight and rail carriage are the same to Canadian ports as to United States Atlantic ports. Such an event would benefit appreciably these protected industries by retaining in this country many millions of dollars of purchasing power -- now unfortunately exported.

It is the belief of many people that, at the same time, attention should be devoted to the location of industry within the country as has been done in Great Britain. Since governments have become among the





gest buyers and consumers of goods, and this trend increasing from year to year, it should be possible to direct the location of industries to those areas which have the necessary manpower and resources, including transportation advantages, which are lacking here. In other words, it can be made attractive for private investors to embark on a programme of decentralization of industry.

Finally, in considering the economic situation in Halifax, it must be realized that costs of construction and costs of living are higher here. As a result, the size of municipal debt and annual costs of operation in dollars is not an adequate basis for comparison with other areas.

Now on page 8 of the brief there is a table --

THE CHAIRMAN: Are you planning later on to develop this point you have made about the port?

MR. BETHUNE: I am hoping these points are covered in the brief itself. This was more or less intended to highlight what we are driving at.

THE CHAIRMAN: We will probably like to ask some questions, but we shall wait until you have finished.

MR. BETHUNE: If there are any questions which are fresh in your minds now, perhaps we could make those, if that is satisfactory.

THE CHAIRMAN: I would be curious to have this developed a little bit; that is, this thought that some concessions should be made to people who import



goods through Canadian ports. I do not remember what the system was prior to 1936.

MR. BETHUNE: We have in Halifax a commission that was set up under the auspices of the city, known as the Port Commission. The chairman of that commission is here, and I think he is interested in this particular problem himself wholeheartedly. Perhaps Mr. Rankin would care to say a few words on that.

MR. RANKIN: It does not require very many words. The preference, as it existed back before it was extended to United States ports, applied to all goods coming in through Canadian ports from any other parts of the empire. It was an advantage when you took a percentage off the cost of the shipment of those goods and brought them in through Canadian ports. When it was made to apply to goods coming to Canada through United States ports, the advantage was immediately removed, so there was no preference.

THE CHAIRMAN: I understand now. What is Mr. Sale's point; that he will try to encourage the export of Ford Motor Company products through Canadian ports? Did he discuss that in any detail?

MR. RANKIN: Mr. Sale was in Halifax several years ago, shortly after the formation of the commission.

If you are to understand this matter I think you should have a little background on that. I think you have to look at Halifax as something distinct from other Canadian ports. I think you have to look at Halifax as an orphan, because it has only two supporting





thorities, the National Harbours Board and the Canadian National Railways, both of which are government-  
ned enterprises, which can show no preference for any  
rt of the Canadian picture which they serve.

As against that, if you look at Saint John,  
you look at Quebec, if you look at Montreal, if you  
en go out as far as Vancouver, you find you have the  
Canadian Pacific, an organization which is at least  
tively soliciting freight through those particular  
rts. So you have a promotional agency there acting  
the interests, perhaps not of the port -- there is  
their own selfish interest -- at least located in the  
ort.

When Halifax went over to the National  
harbours Board in about 1936, I think, it was felt that  
he city had completely lost touch with the port. It  
ecame an enterprise which was controlled from Ottawa,  
nd in which the city itself had no part.

At the time Sir Alexander Gibb recommended  
he establishment of advisory commissions to operate  
n the ground, federally appointed, to promote the  
nterests of the port and to assist in the development  
f trade, as well as to assist the National Harbours  
oard in matters of maintenance and things of that kind.  
hree years ago the city authorities decided that matters  
ad reached a stage in this port where there had to be  
revival of civic interest in this terrific asset, its  
evel of business being reflected right down to a peanut  
tand operator, if you want to take it that far.

We approached the federal government with  
he idea of the implementation of the Gibb report, but



ere told that this would not be possible. We approached the provincial government with the idea of having them talk over the situation and put through an act for us which would give us a port commission. They felt they would have to do it for other provincial ports, and that it was not practicable. We then turned to the city, and the council approved the establishment of this commission.

We then became active, and started to work to make Halifax known to exporters and importers, to create an atmosphere of harmony within the city, in labour, shipping, transportation and all the other phases of port activity, and actively to solicit business for Halifax.

Now I get to Mr. Sale. Fortunately for us Mr. Sale came down at that time, and as we were pretty keen and alert in trying to trap any industrialists we could find, when he came within our borders we went to see Mr. Sale and said, "Now, what about the Ford Motor Company of Canada? You are by far the largest exporter of automobiles from Canada, automobiles which are manufactured in Canada. Yet practically that entire export goes out through the port of New York. You enjoy protection in the Canadian market. It costs a Canadian buying a Ford about \$600 more to buy a Canadian automobile. Don't you think that in an effort to put that \$400 or \$600 into his pocket so he can buy the car, it might be a good idea to send it over a Canadian railway and through a Canadian port?"

At that time Mr. Sale said, "We have a very definite policy -- not an oral policy but a written policy -- that whenever and wherever possible we ship





rough Canadian ports." Well, I think we pointed out him at that time that he must have run into a lot of possible situations within the last 15 or 20 years, because that arrangement just had not materialized.

I was tremendously encouraged when Mr. Sale came down this fall. He sent word that he was coming, and in a conversation I had with him he said to me, "I wanted you to know that we have two men in New York at the present time solely for the purpose of investigating ways and means by which we can divert a large percentage of the volume of our export traffic from New York to Canadian ports." I assume that would be Montreal in the summer and Halifax and Saint John in the winter. I have every reason to believe he was sincere; at least I certainly hope he was.

THE CHAIRMAN: Thank you very much.

MR. BETHUNE: It is with some hesitation that I ask whether there are any more questions.

THE CHAIRMAN: Not on that point, anyway.

MR. BETHUNE: I should say, too, that in case there are some questions involving Halifax the president of the Board of Trade is present, together with a representative of the Trades and Labor Council, and in case there are questions they may be able to answer which are beyond my limited capacity. On matters of education Dr. Marshall, supervisor of the Halifax schools, is here. Dr. A.R. Morton, commissioner of health of the city of Halifax, is also here, together with Mr. George West, commissioner of works, and our finance commissioner, Mr. Ronkey.

THE CHAIRMAN: You will frighten us if you



ep on.

MR. BETHUNE: It has also been suggested that if you wish any federal information Mr. John Mackey, one of our federal representatives, is also present.

THE CHAIRMAN: We are very impressed.

MR. BETHUNE: Now I am going to go fairly quickly through this brief, because I believe you have it in front of you and I do not wish to take up too much time rehashing it.

On page 8 there is an attempt to show a trend toward transferring a larger percentage of Canadian governmental revenues to the federal government. The table shows how the federal share has dramatically increased compared with the pre-war position. In 1939 you will notice that the federal share was 46.7 per cent and the municipal share 30.8 per cent. That has changed now to 67 per cent to the federal government, about a 20 per cent increase, and a reduction in municipal revenue of approximately 18 per cent.

The federal share of expenditures has also increased by about the same percentage, 20 per cent, while the municipal expenditures showed a decrease of about 10 per cent. It is possible, and there is a conclusion as to that a little later on, that this may be because the municipalities were unable to reduce their expenditures to the same extent that revenues went down because they might have reached the irreducible minimum, and they could not reduce the expenditures further without reducing or





continuing essential services. I think it is fair to say that the municipalities of Canada have earned a favourable reputation for their careful and thrifty methods of operation, but there comes a time when, through circumstances beyond their control, in many cases economic in nature but sometimes through events controlled through the senior governments, municipalities, however well run, are unable to provide the services to which their citizens are entitled. I think it is safe to say that healthy municipal governments are for a sound nation, and that if anything can come out of the efforts of your commission to bring about that result -- and I am speaking of Halifax now first and generally for other Canadian municipalities which are in the same fix -- it will be a wonderful contribution to the country as a whole, not only to the individual municipalities benefiting.

Then on page 10 you will see a table showing the Canadian expenditures for certain particular services, and on pages 10 and 11 you will see the same percentage of expenditures in the city of Halifax. You will notice that in education the city is about 2 per cent below the Canadian average. In public welfare it is about 1 per cent below. In public works it is about 7 per cent below. But you will also notice that the interest on our debt is 4 per cent above, and that is not a desirable place for us to be, higher than the average. In the miscellaneous item, which is a general catchall, Halifax is higher than the Canadian average.

In considering the foregoing expenditures



the city of Halifax for various municipal purposes, must be taken into consideration that where expenditures in Halifax are above the general Canadian average, it does not follow that the services resulting from these expenditures are also necessarily above such average. It is well known that the costs of many materials and commodities used in construction and public works are higher in Halifax than, say, in central Canada. Moreover, in one phase of construction alone, namely excavation, the cost is much higher due to the presence of large quantities of solid rock. As a result, it is apparent that less value in services is received from an expenditure of a particular sum in Halifax than would be received in other parts of Canada from a similar expenditure.

One illustration of that would be what many of us observed in Toronto in connection with the excavation for the subway. They seemed to cut that out like Swiss cheese; but here, if they were going to build a subway like that --

THE CHAIRMAN: I live within 100 yards of the city, and I think your example is a good one.

MR. BETHUNE: If a subway were being constructed in Halifax in the same way it is probable that the city would be shaken to bits by the blasting that would be necessary.

Then again on page 12, a little further down, there are figures to show the per capita tax in Halifax. The real property tax works out at \$52. per capita. The occupation tax works out at about \$16 per capita. If you relate that to a percentage figure,





ch I did not do, the real property provides 57 per cent of the total, and the occupancy tax on real property provides 19 per cent. Those two taxes together provide 76 per cent of the total budget, and that total comes from 56 per cent of all the real property in the city.

So you can say that directly or indirectly, through ownership or occupancy, 52 per cent of the real property in the city produces 76 per cent of the total budget. The rest of it, as you will see in the table on page 4, comes from the poll tax and miscellaneous revenue such as licence fees and various odd bits like that, together with the grants and the application of expended balances from previous years.

Then on page 14 there is a table showing the percentage increase in governmental expenditures between 1930 and 1951, both in actual dollars and in constant dollars. This is an indication that the expenditures by municipalities have not increased by anything like the same extent that other government expenditures have increased, even when they are related to a constant dollar comparison.

The reason for the high rate of increase in federal expenditures in relation to those of other governments may be attributed to the war, post-war, defence requirements, old age pensions, children's allowances and unemployment insurance which have no counterpart in the lower echelons of government.

The comparatively low rate of increase in municipal expenditures, on the other hand, may be attributed to the limited or restricted tax base on which they have to operate, which in turn limits expansion



services in relation to what has taken place especially at the provincial level.

The port of Halifax, as has been emphasized, is the chief, basic industry of this city. Following closely in importance is the defence establishment in Halifax, including the army, navy and air force. Hence the economy of the city is based on these, and bearing in mind the source which provides 75 per cent of the city's annual budget, any reduction or cutback in operation of either of these undertakings would result in a serious disruption of the economic life of this city.

There are some references on the following pages to the tax rates, both merged and straight rates, in various other cities. These actually are difficult to compare, unless one knows the basis of assessment and valuation, and they are put in here more to complete the picture. That is what they are supposed to be here for; but if you can find any place assessing at 100 per cent of real value all the way through the piece, I would like to see it, because I do not think that is good assessment. It makes it too uneven year after year; it means too many adjustments. I think good assessment requires a little bit of a cushion below it, as long as the relationship of the assessment is maintained.

MR. STEWART: When did you have a reassessment last?

MR. BETHUNE: It was just completed at the end of August of this year.

MR. STEWART: But you are not using it.





When did you last effectively reassess your property?

MR. BETHUNE: I do not think we have ever had a real direct reassessment of Halifax. I believe this is the first time. Our assessments have gone along more or less from year to year. The assessor occasionally would make adjustments bringing up the level of values say from 1930 to 1945 or something like that, but it has not been done on an independent valuation until this year. Then again it may be that the basis used by the assessor, which is on actual value, was not the same. I do not know. I do not want the commission to believe that the basis used in this valuation is exactly the same as that used by the assessor. It may perhaps be more of a replacement value, or have more of that element in it, rather than the free market value, the free sale value or the actual value, as the charter calls for. Perhaps that is a bit confusing, the way I have put it.

Due to the unusual situation in Halifax, about 56 per cent of the real property in the city must provide the funds to provide services for all of such real property. Consequently the rate of taxation in respect of similar services must be correspondingly higher here than in a city where less of the real property is exempt. Every city exempts from taxation certain property, such as churches, charitable institutions, educational institutions and so on, in addition, of course, to its own civic property. These might be said to constitute the normal exemptions. In Halifax exemptions on this type of property amount to 21,863,345, constituting about 15 per cent, or on the



eminshaw valuation about 14 per cent, of the real property in the city, or about 33 per cent of the total exempt properties.

As a result the city carries a burden of exemption in excess of most other Canadian cities, amounting to 40 per cent of the total real property in the city. I think the word "most" should go in there, because we have Ottawa and Esquimalt which are very heavily exempted.

It is submitted that the result is either: (a) that the rate of taxes derived from taxable real property in the city is nearly 50 per cent higher than in a so-called normal city, if standards of municipal services are to be maintained; or (b) the standards of municipal services are of necessity substantially lower than in normal cities, due to inability of the taxpayer to pay more.

The next page of the brief has a few remarks which might be put on the record, but perhaps they do not need to take time with those.

Now I come to Appendix B and Appendix C. There are some tables showing the state of employment in the several provinces of Canada for the years 1953, 1954 and 1955. It will be noted in Appendix B -- that the long sheet at the end of the second last page -- that Nova Scotia in 1955 has the lowest ratio of employment in respect to 1949, together with the lowest weekly average earnings of any province except Prince Edward Island.

Then in Appendix C it will be noted that the city of Halifax, while not the lowest in the ratio





employment in 1955 as compared with 1949, yet has the lowest average weekly earnings of any of the cities in the province. It is submitted that these tables emphasize the fact that the standard of the ability of the citizens of Halifax to pay is much less than the general average in Canada.

Those figures are taken from the Bureau of Statistics report, as is noted at the bottom of the appendix; and they would seem to indicate that in the city of Halifax there are more people working, they are getting less for their work.

MR. STEWART: Do you happen to know specifically what those figures refer to? I have not had an opportunity to check, but I suspect it is average weekly earnings in manufacturing industries.

MR. BETHUNE: Industrial.

MR. STEWART: It does not include the military service, university professors and others?

MR. BETHUNE: I do not suppose it would. I think they cover those firms which employ 15 or more employees. I have the report in my office. I will have it brought in and I will verify that.

MR. STEWART: You have no idea what proportion of the people employed in the city of Halifax would be covered?

MR. BETHUNE: No.

MR. STEWART: Would it be 50 per cent?

MR. BETHUNE: Well, you would have the waterfront workers, the shipyard workers and the civilian workers in the dockyard.

MR. STEWART: I am merely suggesting that some



gher paid persons in Halifax are not included in  
ose statistics.

MR. BETHUNE: Yes; but it could very well  
that the majority of the people could be in that  
wer earning group.

MR. STEWART: But you have an unusually  
gh proportion of these other people.

MR. BETHUNE: We have that, that is true.  
is is the report from which I secured that informa-  
on. I am sorry I do not have the page.

MR. STEWART: That is all right. Please  
ceed.

MR. BETHUNE: The next section of the  
morandum deals with public health. It may be said  
at the first part of this relates to our relation-  
ip with the province, but I am submitting it here  
the ground that our ability to pay for these things  
my mind is in issue, and this will help show you  
ere the money goes. It goes for essential services.

In the case of public health, comparing  
ur expenditures in the city of Halifax as set out at  
age 19, you will see that the city of Halifax expends  
or purposes of public health, and sickness prevention,  
far larger percentage of its budget and a greater sum  
er capita than any other municipality in Nova Scotia,  
ven more than the province of Nova Scotia and the  
unicipalities of this province combined. All the  
ms expended by the city are raised by direct taxa-  
on on the citizens of Halifax.

Then on page 20 that same principle is  
elated to the percentage of total expenditures in the





vince by each type of government. This shows that on a percentage basis the city of Halifax is next to the province.

The conclusion to be drawn from these figures is contained at the bottom of page 20, and I think it speaks for itself. The city itself expends 12.4 per cent of the total expenditures made by the province and all municipalities toward this particular public health service.

Then on page 21 there is also shown the percentage of the total budget for this particular branch of public health. These tables clearly indicate an unequal sharing of the costs of public health between the municipalities other than the city of Halifax. The city of Halifax is the only municipality which exceeds the total provincial per capita expenditures, and it also exceeds the total of all other bodies, including the province, in its percentage of total revenue allocated to public health.

Then at the bottom of page 21 and on page 22 are shown our total public health expenditures. Here it appears that we spend over 9 per cent of our total budget on public health; and if we include in our expenditures the amounts we spend for sanitation and waste removal, amounting to \$318,000, our total expenditures on public health then rise to 12.4 per cent.

It is difficult to forecast the future public health needs of the city with any degree of confidence. The population of this city has increased from approximately 60,000 in 1939 to about 100,000 in



5. This increase in population brings an increase health problems and a consequent increase in cost to municipality.

On the question of hospitalization, Dr. [redacted] has provided me with the information that is set out on pages 22 and 23. Surveys have been made [redacted] to try to look to the future to see what Halifax needs in the way of hospital facilities. A survey was prepared by the dean of the faculty of medicine of Dalhousie University in 1948 and 1949, and those recommendations are made on the basis of the anticipated population of Halifax county in 1961. That level was reached in 1951, ten years ahead of expectations. The report shows on page 23 that there is need for the accommodation which is set out on that page.

This amounts to a very substantial expenditure. It was estimated that an additional 250 beds were required in the Halifax county area for general hospital purposes and, in addition to this, two beds per thousand of population for chronic cases. In the alternative, Dr. Stewart indicated a need for an institution for convalescent and chronic disabled persons with a minimum bed capacity of 180 beds. An institution was also required for chronic mental patients.

We are having a little difficulty here. I think it is fair to say that no doubt the provincial government is quite willing to assume its share of the burden. However, I think they are financially restricted in making grants to the city under the federal health acts, amounting to \$1,000 per bed to provide ordinary hospital accommodation, or \$1,500 per bed for





tal hospitals. In any event that grant from the province has not been forthcoming. The city, therefore, unable to go to the government of Canada and secure grant from that government.

The city of Halifax approved of the principle of constructing a 400-bed hospital for chronic mental patients, as recommended by the Marshall-McDonald report. Construction has not been started in this case because of the inability of the city to obtain the \$1,500 per bed provincial grant and as a consequence the \$1,500 per bed federal government grant is not available. We have had to resort very recently to expedients that are not desirable, though they may be effective. We have been using the infectious hospital for certain mental cases.

I am not going to say anything further about the hospital situation. It is set out in the brief, and I shall leave it at that, unless you may have some questions to ask Dr. Morton at this stage, unless you care to make any comment on it.

MR. GUSHUE: This is a factual report. You make no submissions or suggestions?

MR. BETHUNE: It is purely factual; but you will notice in the second last paragraph on page we say this:

"The city of Halifax is apparently deprived of assistance for this purpose because the federal health grants are only available to supplement personnel of existing organizations or to increase services and to provide such services in areas where



"such did not exist. The city of Halifax, having gone into the field prior to 1948 and having set up its own organization, cannot now receive assistance."

That is in relation to what was set up at that time; but if that service is being extended or supplemented, then it can get help in regard to that extension. At that time we had to do it, and we did; but the policy surrounding the assistance is rather rigid.

MR. GRAUER: Do you have much of a problem with cases coming from the surrounding territory to Halifax hospital?

MR. BETHUNE: There is a problem. Perhaps Dr. Morton could answer that question.

DR. MORTON: The provincial government operates a general hospital in the area. About 60 per cent of the accommodation in that hospital is utilized by the rest of the province and the surrounding area, and about 40 per cent is occupied by city of Halifax patients. In addition there is another general hospital in the area and a maternity hospital, both of which are operated by private organizations which get very substantial grants from the city. Under the Local Hospitals Act the city must pay for all city cases at the ward rate, for the maintenance of the patients; but in the provincial government's general hospital, about 40 per cent of the bed capacity there is occupied by city of Halifax patients.

MR. BETHUNE: The next section deals with education, and in this connection I obtained informa-





on from the officials of the school board. This is not a submission by the school board, but it contains information I received from the officials of the board, who are in day to day touch with the programme.

The need within the next ten years is for new classrooms; the replacement of two schools having a total capacity of 20 rooms by two new schools having a total accommodation of 26 to 28 classrooms.

The foregoing prediction is made on the basis of present enrolment and birth rates. No allowance has been made for the effect on school population of slum clearance projects or the replacement of certain emergency housing accommodation, such as the aff houses and emergency shelters, with apartment buildings or any large scale housing developments not ready under way.

The Dominion Bureau of Statistics has indicated that by 1964, the junior and senior high school population of Canada will practically double. There is no reason to expect that Halifax will not follow this trend, with the result that a need will be created for more classroom space than I have already mentioned.

That forecast does not include anticipated requirements for additional auditoriums or gymnasiums. Experience in the past has indicated that demand for these facilities will come from the older schools not now provided with them.

The details of the proposed expenditures over that coming ten-year period are set out at page



It is very nice to have the new schools, very nice to have proper buildings and proper facilities for proper education, and I think there is no question about it but that the children in all parts of Canada should have the same educational opportunities. The extra service charge, however, which results from these expenditures represents a very substantial part of the city's annual budget.

From 1944 to 1954 the city spent \$10 million on capital account for schools. It is unnecessary to state that additional facilities beyond those, and even those set out in the brief, will increase the debt service charge and will also substantially increase the annual operational and maintenance cost, which in 1955 constituted nearly 36 per cent of our budget. It is admitted that any extra costs such as these will be most difficult to finance from the city's restricted sources of tax income, if matters remain as they are at this moment.

If there are any questions on education, the supervisor of schools is here, and Dr. Marshall will be pleased to elaborate on any of these points. This brief has been purely factual up to this point.

Then on page 27 reference is made to the need for slum clearance and street improvements in the city. In a city like Halifax, founded in 1749, 206 years ago, many of the streets are no longer sufficient for modern traffic demands and certain of the older sections have seriously depreciated. To provide adequate streets and to replace the worn-out sections a thorough slum clearance programme requires the





penditure of large sums of money.

There is some help that can be obtained at the present time under the National Housing Act, but it would be of great advantage to an old city like Halifax if the provisions of the National Housing Act were widened so that the government of Canada would contribute to the cost of demolishing old areas whether or not the same land is intended as a site for new housing.

That seems to be the restriction now. When you tear down a slum you can get assistance if you replace it with new housing. In many cases the sites that cry to be cleared are much more suitable for commercial development or street widening than for housing. The city has expanded into what were the old residential sections. The commercial section is creeping into what were formerly high class residential areas. Under the housing act, if any help is to be given in regard to slum clearance, the site must have new housing built on it. You could not build a commercial enterprise on land that was cleared for this reason.

I feel quite confident that the government of Canada would accept that kind of proposal, because it seems to me eminently sensible, and I think it is reasonable. So I am making the submission here today, and if it meets with your approval and you desire to make any finding on that point, it might reinforce the position and bring about the desired result a little sooner.

The next part of the brief is one which I consider most important. It deals with the port of



Halifax, and begins on page 27.

References to port facilities in this memorandum are intended to include berthing facilities, sheds, transit and storage, railway facilities, loading operations, manpower and all matters relating to the efficient operation of a modern port.

Many millions of dollars have been expended by the government of Canada, both through the National Harbours Board and departments of the government, to improve the inland ports of Montreal and Quebec. No criticism of this is offered by the city of Halifax, even though the ports are useful for only seven months of the year because of ice conditions in the St. Lawrence river. It is submitted, however, that sufficient expenditures should also be made at the port of Halifax to provide adequate facilities even if this port has in the past been considered a winter port and used as a substitute for the above mentioned inland ports during the season of the year in which these ports are unavailable.

However, the argument in favour of the development of the port of Halifax by providing new, adequate and additional facilities to those now present gains immeasurable strength when it is realized that this port is a 12-month port and usable every day of the year. It is submitted that port facilities worthy of the port of Halifax should be provided, not only to service adequately the port business which comes to the port during the winter, but also to service the business which, it is believed, would come to it if such





ilities, properly manned, were available.

Emphasis must also be placed upon the value of the port of Halifax in time of war. It is then truly recognized as a national port, useful the year round. This has been proven without doubt in the past and will unquestionably be proven again in the future. War does not collaborate with the seasons, and at the event of war the port of Halifax will again be required to provide adequate and efficient port facilities, not only during winter months for normal winter traffic but during all the months of the year for the greatly increased traffic of all kinds, which in that event must be serviced far more promptly and under much greater pressure and difficulty than normal peacetime traffic.

If, in the 1930's, the responsible governmental authority had known of the needs and demands for improved port facilities in Halifax in the 1940's, then without doubt permanent and efficient additions would have been made which would have been of incalculable value in the second world war and would now be available. The great expenditures of millions of dollars during the last war to provide lightering facilities to augment the then existing docking and cargo storage space have been lost. These expenditures, if thought had been given to the matter, would now exist in the form of substantial docks, piers and sheds. It is time to prepare for the future of the port of Halifax is now. We in the 1950's do not know what the demands of the 1960's will be, but if the history of the years ago repeats itself, Halifax will require very



substantial additions to its port facilities. It is submitted that the provision of adequate, permanent facilities now will ensure the future and make unnecessary the uneconomic expenditure then of large sums of taxpayers' money for temporary and makeshift arrangements, which serve the then present purpose and are then abandoned.

Continuing the thought expressed in the preceding paragraph, it is submitted that from the national aspect, apart entirely from the local Halifax aspect, it is desirable, in fact essential, to now make definite plans for the future of the port of Halifax. Because of the establishment of the seaward defence site at the northern end of the present dock area, any extension of port facilities in that direction is substantially blocked, unless the seaward defence site is transferred to another location. Unless this event takes place, it is submitted that the only area left for expansion is in the northerly direction, through the narrows and along the southern shore of Bedford basin to Fairview. It is submitted that it is obvious that the public authority concerned should give immediate attention to this problem, if in fact it has not already done so.

It may be said that the foregoing submission, that provision of adequate port facilities at Halifax should be made to care for future needs, is not one that reflects the present need. In answer it is stated that at the present time, during the winter months, there have been delays in loading and unloading ships due to lack of berths and congestion in the loading sheds. Such delays have been estimated to total as





as 500 hours.

Halifax is the major port on the eastern coast of Canada. It is safe, sheltered and useful all year round. As such it is entitled to receive more than the normal facilities of Canadian ports, which may be useless for nearly half the year because of climatic conditions. Halifax, because of its strategic location and value to Canada, is a priceless asset if properly developed. It is true that some new sheds and piers will help the present congestion, but as will be seen from the exhibit referring to port traffic the trend of business at the port of Halifax has been steadily increasing. The exhibits I refer to, which appear on pages 29 and 30, will bear that out.

It is submitted that qualified authorities will agree that the facilities of a growing port should be expanded ahead of need. It has been stated by a responsible authority that any up-to-date port should have two berths and two sheds continually empty to provide for any unforeseen event. The facilities should always exceed those required for normal everyday demands.

Unforeseen events, causing sudden congestion and practical dislocation of a smooth operation in the port of Halifax, have occurred. These events include labour strikes on the United States seaboard, resulting in the diversion to Halifax of many ships. The increasing prevalence of hurricanes striking the United States seaboard will undoubtedly, from time to time, force unexpected traffic into Halifax harbour



ere, in all probability, the cargoes will be unloaded in order to permit the ships to sail on their regular schedules.

The city of Halifax depends upon the port of Halifax as its basic industry. It is true that a substantial naval establishment is also located in this city. In addition, Halifax Shipyards Limited provides a source of employment for a portion of the population.

Commercial industry of a manufacturing character includes Moir's Limited, manufacturers of bread, cake and candy; W. H. Schwartz and Son, manufacturers of spices and mustard, peanut butter and other similar goods; Cossor (Canada) Limited, manufacturers of electronic devices, and National Sea Products Limited. There are a large number of branch offices of companies located in central Canada which are engaged in distributing in Nova Scotia the products of those companies, which are manufactured in other provinces. In other words it is a one way traffic, and the imports and exports do not balance. However, there is one field in which I am sure our exports are greater than our imports. Nova Scotia does exceed some of the other provinces in the export of brains. We have to get that plug in somewhere.

MR. GUSHUE: Would you care to name the other provinces?

MR. BETHUNE: That would include Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland.

Despite the employment provided by these





sources, the port of Halifax continues to be the main source of employment and the basic industry of Halifax. The operation of the port, employment of labour and the purchase of supplies for and servicing of ships, and the many other incidental expenditures relating to the movement of goods through the city, both by rail and water, provide the means of livelihood, both directly and indirectly, for a large portion of the population of the city and many others living within a reasonable distance of the city. The port of Halifax is the basic industry of the city of Halifax and of the metropolitan area surrounding the city.

The activities of the port of Halifax set the standard of living in Halifax. At the present time, from the point of view of world trade, the operation of the port of Halifax, as it affects the city of Halifax, is a seasonal industry. To maintain continuous employment for a 12-month period has not been possible. As a result, layoffs occur on the opening of traffic in the St. Lawrence river, and the labour force of the port becomes scattered. There are no large industries or sources of employment in the city, as in other ports, capable of absorbing during the summer months the waterfront labour force and those engaged in handling freight. If such sources were available the port labour force could be held intact.

Then at pages 31, 32 and 33 there are some extracts taken from the annual report of the National Labour Board for 1954, indicating generally the



cilities provided at various ports. There are also some statistics having to do with the arrival and departure of ships. They will perhaps show an increase in tonnage rather than in the number of ships.

There is another little point I would like to make, referring to page 35.

For many years the fact has been accepted that the cost of transportation of freight by water is much less than the cost of such transportation by rail. In comparatively recent years the cost of the operation of ships has greatly increased, due to increases in wages, particularly in American and Canadian ships, shorter working days, cost of repairs and supplies and other matters. It may also be that by the use of diesel engines the cost of rail freight may be reduced.

In the opinion of the city of Halifax, this belief should be carefully examined and analyzed to determine whether the difference between rail and ship costs has become less in recent years.

If this is found to be so, then it is submitted that the cost of taking a ship, large or small, some 1,000 miles up the St. Lawrence river to, say, Montreal, might well approach the cost of transporting the cargo of that ship by rail from Halifax or some other ocean port. In any event, one economy which would result, incidental though it might be, would be the saving of time in travelling 2,000 miles up the St. Lawrence. This time could be used to make the ship in question more productive and in the course of a year's operations it could engage in several more





fitable voyages.

However, even if this submission is found to be based on fact, ports like Halifax which would benefit must be provided with ample and sufficient facilities, including an adequate rail transportation system from central Canada to bring the cargoes to the city and to the docks. Such a development would go a long way toward improving and stabilizing the economy of this city. If the cargoes are on the wharves at Halifax, the city believes that ships will come here to take them.

The city of Halifax further submits that with an investment of \$245,226,098 of the national funds of Canada in the capital assets of the National Labour Board, Canada should use those assets in such a way as to provide the greatest return to the country, not only in cash but by developing the economic growth in the parts of Canada where such assets are situated. Economic growth can be developed by producing steady employment throughout the year. This result alone would be worthwhile and Canada as a whole would benefit thereby.

There is another loss which this part of the country has suffered. At one time there was a very profitable trade which existed between Halifax and the West Indies. That trade has been lost, perhaps due to a variety of reasons including the devaluation of the pound and other currency restrictions, and also perhaps because of the lack of demand for some of the products shipped. At any rate that trade has



en very drastically reduced.

This trade is a natural business for the port of Halifax. It is therefore submitted that your commission consider advising the government of Canada to enter into negotiations with the government of Britain and explore ways and means by which this trade can be restored.

The geographical relationship between Halifax and the West Indies is such that there should be a natural channel of trade up and down the coast. Instead of that the trade seems to have gone from Halifax somewhere else, and it is our feeling that the trade policies of Canada might well be so adapted, through negotiation, to find some way of getting that trade back here instead of having it go through the United States. Let us try to bring it back to the old port where it always came. That was something we depended upon in the past. It is a loss we have suffered, and if we had it back it would be another bolster to our welfare in the city.

I am not going to read pages 36 and 37; I think they are self-explanatory. There is a suggestion that the grain elevators in Halifax should be used twelve months of the year, and used much more extensively than is the case at the present time. They are more or less used as storage during the summer months, and it might be possible to use them the greater part of the year. Perhaps one of the reasons that is not one is the slowness of loading, and it is suggested that with some extension of the facilities and the





dition of some grain galleries, the loading of  
ships would be facilitated.

Then there is the matter of demurrage and  
storage charges on goods brought to the piers in  
Halifax. In the opinion of the city of Halifax, steps  
could be taken to equalize with other ports the faci-  
ties of this port, including not only the provision  
of additional dockage space, but the provision of stor-  
age sheds and adequate rail yard facilities. We are  
convinced that other foreign Atlantic ports have better  
port facilities of that type. They have storage sheds.  
They seem to avoid demurrage charges, or so we are in-  
formed. A certain amount of it is done by lighterage,  
but here we have transit sheds purely and simply, and  
storage sheds. It is our feeling that if these  
facilities for the handling of freight once it gets  
here were improved and freight rates were equalized,  
surely we should be able to get some of that business.

Then we have a word to say about highway  
transportation. The province of Nova Scotia has been  
making a considerable amount of highway improvement.  
There is a great deficiency, however, in modern bridges.  
It is our feeling that here we have a national port,  
with national assets. We know that highway transporta-  
tion under present day conditions is rivalling railway  
transportation. It would seem to us that adequate high-  
way facilities for national transportation from the  
central part of Canada to this port is a responsibility  
perhaps not entirely but to a considerable degree of  
the government of Canada.

That may seem to be rather an unusual



mission, since highways would seem to fall within the jurisdiction of the province; but Canada has assets down here. It has a national port, an asset that needs to be used and should be used. It is the duty of Canada to use it. It should then, by negotiation with the province and by a sharing of the costs and I mean all Canadians sharing in the costs; I do not mean the government at Ottawa but the Canadian taxpayers assisting the province in fixing up their roads. Perhaps that assistance might extend to the replacement of bridges, so that highway traffic can come down here instead of having just one main rail line. We need that competition. We need everything that can be done to get the trade to Halifax.

Then we come to the question of dominion-provincial grants. The point that is made here is that where a municipality was deprived of a source of revenue such as a municipal income tax, an allowance was made to that municipality when the municipal grants were set up equivalent to the amount it was receiving from that source. But a municipality that did not tapped that source received nothing for it. In this situation is perpetuated; a municipality that had both a municipal income tax and a low real property tax could carry that system forward into the future. But a municipality that relied solely on a real property tax had to go along with just that real property tax, so it would go on taking more money from one particular class of taxpayer indefinitely.

Our suggestion is that some readjustment of the allowance or of the municipal tax field should





made. If the present arrangement for the renting of tax fields is continued, then some allowance could be made, some special allowance, to municipalities which did not occupy that particular tax field which was available to them at the time the municipal grants were started. That is what we have endeavoured to say at pages 39 and 40 of the brief. The city of Halifax therefore submits that this inequity should be recognized and adequate compensation made to the municipalities for the loss of revenue sources, absorbed by the government of Canada, although under the constitution of Canada -- the British North America Act -- such sources were considered to be available to the municipalities.

One instance is the city of Saint John. It had a real property tax and a municipal income tax. When the municipal grants came into effect that city received \$600,000 to compensate it for the loss of the municipal income tax field. They retained their other real property tax, but you can see that a municipality in that position is in a preferred position as compared with a municipality that had not tapped that municipal income tax source. It is being assisted by the government of Canada in a way that is disproportionate to the assistance given the municipality that had not gone into that field.

Then on pages 40 and 41 are listed a number of reasons for the decline in economic growth of the Maritime provinces. I submit those to you for your consideration.

On pages 42, 43, 44, 45, 46 and 47 are



sted a number of the points that are set out in the  
brief, in the hope that perhaps by referring to these  
particular items you will recall the reasons justify-  
ing those submissions as they are set out in the brief.

Mr. Chairman, thank you very much for your  
courtesy. I hope I have not been too tiresome.

THE CHAIRMAN: I think we are very grateful  
to you and to His Worship Mayor Kitz for the fine brief,  
and also for the way you have presented it. You have  
covered all the main points, and made it very interest-  
ing.

MR. STEWART: Shall I direct this question  
to His Worship or to Mr. Bethune?

MAYOR KITZ: Let us decide that after we  
hear it.

MR. STEWART: I want to ask what are the  
elements which have led to some development and growth  
in the province of Nova Scotia and in the city of  
Halifax in the last several years.

May I just set the background for the ques-  
tions so you will see what I am getting at. I do not  
want to quibble over statistics at all. If you do not  
believe these figures that is quite all right, but I  
have here the figures of population. I am looking at  
the statement at the bottom of page 41, which reads:

"All the foregoing factors have  
tended to adversely affect the Atlantic  
maritime economy, and as a result, whereas in  
1870 the maritime provinces had 20 per cent  
of the population of Canada and 13.5 per





"cent of the gross manufacturing production, in 1950 they had 8 per cent of the population, excluding Newfoundland, and only 3 per cent of the production."

1870 is going back a long way. If you would allow me, I would look at the period of 1931. I do not say it is defensible to take 1931, but I am just looking that period. Between 1931 and 1941 the population of the province of Nova Scotia increased by 65,000; and between 1941 and 1951 it increased by about the same number, another 65,000. Between 1951 and 1955, which are the last figures I have, which is a four year period in this case, there has been an increase of 40,000. So there has been a substantial increase in population since 1931, and in the last few years an accelerated rate of increase.

It is true that if we take the period 1931 to 1955, from the figures I have the percentage of Canada's population in Nova Scotia did decline from 4.94 per cent to 4.38 per cent, which is a very slight reduction although the reduction is there.

Then I look to my own province of Alberta, which I do not consider a model at all, and I find that between 1931 and 1955 the percentage of Canada's population there declined from 7.5 per cent to 6.83 per cent. So population-wise in these last 25 years or so these two provinces have just about kept in step.

Then I look at the figures of per capita personal income in the province, and this series runs from 1926 to 1954. I am not sure whether that is a good period to take for comparison. But I find that



the per capita personal income in the province of Nova Scotia increased percentage-wise more than any other province in Canada. It was the only province which had an increase of over 200 per cent in its per capita personal income. Whereas in 1926 --

MR. BETHUNE: May I ask a question? What was the point of beginning with that increase? Was it from a lower base than the others?

MR. STEWART: I start from 1926, when the per capita figure for Nova Scotia was \$289. The per capita figure for Nova Scotia in 1954 was \$917. If arithmetic is correct, that is an increase of 217 per cent, and that is the largest increase percentage-wise of any of the provinces.

In 1926 the per capita personal income in Nova Scotia was equal to about 67 per cent of the average per capita income in Canada, or about two-thirds. That has increased to about 77 per cent in 1954.

Another way to look at this is that in 1926, on a per capita personal income basis, Nova Scotia came eighth in rank, I think you could say of the provinces, throwing in Newfoundland although we have not the statistics for that province for that time. In 1954 in rank Nova Scotia stands sixth. In other words it has pulled up quite a bit. My point is simply that there is evidence here of some vitality, of some elements in the situation here which are conducive to growth and expansion.

Then on page 22 of your brief there is a reference to the population of the city of Halifax. The figures I have are that in 1941 the population of





the city of Halifax was 70,488. In 1951 it was 85,589.

MR. BETHUNE: Those would be the census figures?

MR. STEWART: Yes. That is an increase of .4 per cent, which again is evidence of some vitality, indicating an increase of about 1,500 per year. I have the figures for 1955, which are provided from official sources -- no; I think perhaps I took this from your brief, where you quote the figure of 100,000.

MR. BETHUNE: The figure was 104,000 according to the city directory for 1955.

MR. STEWART: If we take that figure we have an increase 3,600 persons per year in the population of the city of Halifax, and again I cite this merely as an evidence of growth and expansion.

My question is this. What are the elements in this province and in this city which have led to this expansion and growth?

MR. BETHUNE: Here I am jumping into the water first, but I think one of the first elements emerged at the end of the war. Our population was extremely high during the war. There were marriages here, and a number of the people who came here during the war and married here came back here, or remained and found something to do.

That is one reason the population increased very suddenly in the years between 1939 and 1945, let me say. We wound up at the end of the war with a substantially increased population, which occurred in a very few years compared with the rate of increase in the past, and that trend seems to have continued and



have increased. That is one thing.

MR. STEWART: You say they found something to do?

MR. BETHUNE: Yes.

MR. STEWART: What did they find to do?

MR. BETHUNE: Various jobs; in stores; I suppose some are on the waterfront.

MAYOR KITZ: Mr. Bethune said he was jumping right into the water. He was speaking figuratively, but I think he might well speak literally and give you your answer. The Department of National Defence has continued to increase its naval strength numerically; but much more important, they have increased their bottoms, their ships. There have been large conversion jobs. There have been some new minesweepers. There has been a type of ship built which cannot be detected, with aluminum and wood construction.

I think if I were to give you a one sentence answer -- and I can get these figures for you because I think they will be forthcoming to give you an intelligent answer -- if we got you the payrolls for the shipyard and for the dockyard, I believe that would provide the bulk of the answer to your question.

That has been supplemented in other ways, of course. There are some 200 jobs at Cossors, which I mentioned earlier. There has been the extra prosperity we have enjoyed because of the fact that Fairey Aviation in Dartmouth employs I believe some thousand persons. You see additional naval personnel, even though they are largely stationed in Dartmouth, do have an economic effect which is felt here.





New industries? I search my mind very hard to find any substantial increase in our industries. I suppose a partial answer would be in the business conducted here by the federal and provincial governments. That has grown; but I think I have given you the basic answer. If I might just refer to my first remarks, we feel that we are so sensitive to the world political climate. To quote the premier you heard yesterday in his reference to peace breaking out, we think it is very much apropos of the city of Halifax.

I think that is basically the answer. I shall get you those figures as to the payrolls of those two units for those comparative years.

MR. BETHUNE: We are also informed by Dr. Marton -- and I say this with some pride because something was said about the virility of this part of the country -- that our birth rate is about the highest in Canada, or among the highest. So we are building our own population.

MR. STEWART: But if it were entirely young people -- and I know all communities are experiencing that phenomenon -- your per capita income would not have gone up as these figures indicate it has. You can see my point. If there are inherent elements of growth in the community these, I think, are the things we should be looking for and trying to foster.

MR. RANKIN: I would like to take a look at that situation briefly, and I would like to suggest to you and the members of the commission at the outset that as far as I am concerned, personally it is a



mystery to me where all the people draw their pay envelopes, because you certainly cannot find it in any industrial expansion of this city. It is not there to justify the figures you have just read showing the increase in income.

I think you do find, though, that starting back probably in the mid 1920's, the larger industries began for the first time to take an interest in the maritime picture. They began to look at the maritime area as possibly a market, perhaps having reached what they considered to be the saturation point in their own areas.

As a result, if you look over this community today as against looking over it back in the 1920's, you will find innumerable branch offices, branch establishments of national organizations, which did not exist in Halifax prior to that time. I think you will find that to a large extent their people employed in national organizations in certain capacities came to Halifax at exactly the same standards of salary they would get in any other branch throughout the country, and I personally firmly believe that this has been a large, contributing factor to the situation you have pictured.

I think this also; that, as you have suggested, there is an entirely new spirit developing in Nova Scotia today. I think there is a spirit of determination to do more for themselves than has ever been apparent in the 33 years I have known Nova Scotia; and I believe the very existence of a spirit of that





nd, the very beginning of a trend of that kind, produces results which bring betterment to the general situation. But I say to you quite frankly that if you y to analyze it, unless you are prepared to take e branch offices and the increased activity of tional organizations within the confines of the city, believe it is an almost impossible task.

MR. GRAUER: You stressed the importance rebuilding the business of the port of Halifax, and think in particular you said you hoped to rebuild e summer business. Has any study been made of the pes of business you would expect or hope to build , or is this more a general aspiration?

MR. RANKIN: In connection with the summer siness of the port of Halifax, it has always been r feeling -- let us take as an example a ship that loading parcel grain for Europe. Only a few years o, and then only because of the fight put up by the lifax Port Commission, was there a change made which uld permit the releasing of grain from the Halifax evators at a rate comparable to the river operation. e summertime releasing of grain from the elevators of lifax, up to I think 1950, was always accompanied by premium payment, in line with the rail cost of the rrying of that grain from the head of the lakes to e port of Halifax.

In order to avoid that premium cost there re many ships which took parcel cargoes of grain ich would take them in Baltimore, Philadelphia, ston, anywhere rather than pay the premium.

It is our opinion, particularly in regard



grain shipments, that rather than hold 4 million bushels of grain in the Halifax elevators during the entire summer, paying one cent per bushel per month for it for storage in the elevators, and in view of the fact that we have a system under which we have bumper crops of grain in the west, surely the idea should be to use every possible outlet to get that grain to the markets of the world as speedily as possible.

It was said when the addition to the Halifax elevator was built, giving it a capacity of 4 million bushels, that this was primarily seaboard storage. We do not think this is a wise course, that it should be seaboard storage. We think the facilities at every port should be used for the export of grain. We think it would be very advantageous to our economy if that business were carried on during the summer.

True, we have not studied the types of traffic that we could carry during the summer, but we feel that those who are more expert in the transportation field might well make a study of that with the idea of making use of facilities which have been provided for by the people of Canada, and which certainly we think the people of Canada should look to being used to produce a dividend on the cost of their construction.

THE CHAIRMAN: Thank you very much, Mr. Mayor and Mr. Bethune and Dr. Morton and those other gentlemen who were here to answer questions if we had asked them. I think you have been very helpful to

MR. BETHUNE: Mr. Farrell was to submit his letter supporting this brief, as president of the Board





Trade.

THE CHAIRMAN: I received it, thank you.  
Is Mr. Harrington here, the assistant general  
manager of the Nova Scotia Light and Power Company?

MR. HARRINGTON: We have already filed  
copies of our brief with your commission.

THE CHAIRMAN: That is so. I would just  
like to ask that the brief we have received should be  
marked as Exhibit 3.

MR. HARRINGTON: You will note that the  
brief was submitted to your commission by the manager  
of the Nova Scotia Light and Power Company, Mr. Norman  
Smith. Because of his absence on company business  
he has asked me to make the presentation. He has  
just arrived back in town, but has not had the time to deal  
with it.

I would like first to read his letter of  
transmission:

"Nova Scotia Light and Power Company,  
Limited, submits herewith a brief with respect  
to the availability and cost of electric power  
in Nova Scotia and its relationship to industry.

"This brief has been prepared by Nova  
Scotia Light and Power Company, Limited and  
expresses its opinions; however, the subject  
matter applies to the province as a whole.

"The purpose of the brief is to  
indicate that the electric power industry in  
the province is capable of extension to serve  
any requirements at reasonable cost and with-  
out difficulty. Because the future electric



"needs of the province must come from thermal electric stations, the major factor that will effect any decrease in power cost must be the cost of fuel. Coal is the common fuel used in existing thermal stations, but the lower cost of residual oils and the advent of atomic fuels in the future will present problems to the coal industry and its market for coal in the field of electric power generation."

One of our main points in submitting this brief is that when people discuss the advantages of decentralization of industry, many have thrown the thought aside very easily by saying that industry cannot be decentralized into fringe areas such as the maritime provinces because of the unavailability of power and because of the cost of power. In the opening portion of the brief we have tried to deal with four subjects. These are listed in our paragraph headed "General".

Generating and distributing facilities throughout the province of Nova Scotia have kept pace with growth in the demand for electricity and no customer has ever been denied service.

The electrical industry of the province can be extended to serve any new industry.

Costs of electricity in Nova Scotia, while among the lowest in North America, compare favourably with those prevailing right across the country, and are attractive to all types of small industry and many types of large industry.

The cost of electricity is a minor part of the cost of most manufactured products.





To mention perhaps a few highlights of our brief, under "Power Sources", one item that should come to your notice, I believe, is that the hydroelectric horsepower possible of development and developed in the province amounts to 172,000 horsepower. The thermal electric horsepower in the province already developed amounts to 350,000 horsepower. So our power economy is now very definitely based on thermal generation. It is now more than double, or just about double, the hydro output, and all future expansion must come from thermal power.

There is one exception to that which we must mention. It is something that is very, very large and beyond the market possibilities of power at the moment. In the Bay of Fundy we have in the Minas basin tides of 40 feet. We have basins there with narrow necks that are possible power generating sites.

The power installation that could be installed at such a place must be very, very large in its initial stage, and from the studies we have made of it, it would be impossible to economically develop tidal power at anything less than 3 million horsepower.

Three million horsepower is very, very large. It is beyond the imagination of most of us, just as Kitimat in British Columbia was beyond the imagination of many in the past. However, the needs of the aluminum industry in electrosmelting made possible the development of Kitimat. It is our suggestion that the needs of aluminum and perhaps titanium, which has been put forward as the coming metal, even to the replacement of steel, which again is processed by an electrosmelting process,



will require vast amounts of power, and such a development could bring about the development of the tides on the Bay of Fundy.

MR. GRAUER: Have you any idea of the possible cost of the 3 million horsepower?

MR. HARRINGTON: A real survey of the total basin and its actual potential would undoubtedly cost a great deal; but it is suggested from the studies we have made that power could be developed in the order of 3 million up to 8 million horsepower at a cost of about \$50 per horsepower. That would mean that for 3 million horsepower it would be \$750 million. To get any realistic information on the prospect of this development suggest you would have to spend 1 per cent of that on engineering surveys, to locate site, and so on, which would be \$7,500,000.

To go further, some sign of a market must be found before we can make too much further progress on this, but basically we do know, as a basic fact in the case, that we have 40 feet of tide. We have that quantity of water, so there is very definitely an energy source which is finite.

We point out under the heading "Power Sources" that coal is the common fuel used in all the thermal generating plants in Nova Scotia and in most of those located in the Atlantic seaboard states. Natural gas is used in those oil-producing locations where it is available at very low cost; that is in the western provinces. Residual oils are used in most cases where their cost is less than that of coal. They have not been used in the electric power industry as yet.





sidual oils are available in Nova Scotia at costs less than that of coal. The rapid strides being made in nuclear research may soon make possible the practical use of nuclear fuels at economic cost.

Then on the second page of our brief we have tried to outline the power systems presently distributing power in Nova Scotia.

Then we come to a title, "Grid System". As you may know, in England they have a very large grid system serving the whole country. In Ontario and Quebec there are extensive grid systems. We feel that in Nova Scotia we have grid systems. They are not all interconnected, and they are designed in a small way to match the horsepower generation and the horsepower requirements of our customers. It is in the future plans of our company and other utilities in the province with whom we converse to extend these grid systems when it is economical to do so. We quote a long passage from a report given by Professor A.G. Christie to the Dominion Coal Board, and we feel that this quotation outlines the matter to quite a large extent.

The one problem is that the capital cost of a large grid system is very high for small transfers of power, and until the amount of power to be transferred over a grid system is appreciable, the capital cost is completely impractical for expansion of the system.

Interconnection becomes of value when there is diversity in peak load demands of adjacent systems, when a system has a surplus of low-cost energy, or when



the spare capacity of one system can serve as a reserve for all interconnected system. There appears to be no sufficient diversity of peak loads in Nova Scotia to justify interconnections. No system appears to have a substantial surplus of low-cost energy. Hence, the availability of reserve capacity would be the principal basis to consider further interconnections; and I may state, sir, that the planning of the power people in Nova Scotia is along these lines.

Then on page 4 of our brief you will notice the heading "Industrial Requirements and Availability".

In general, industry can be divided into two main classes according to size, small and large.

Small users are, for the purpose of this brief, those requiring up to one thousand horsepower and these customers are usually supplied from the general distribution system. These customers comprise the great bulk of the industrial electric load and they cover practically every form of manufacturing and processing. Most of these industries actually require less than 100 horsepower.

Large users, are those requiring more than one thousand horsepower and are usually supplied from the main high voltage transmission system. They include such industries as heavy chemical, large pulp and paper, oil refineries, shipyards and other large-scale melting and manufacturing operations employing, in most cases, more than one thousand people.

Attached as Appendix B is a list of typical industrial users in Nova Scotia showing their requirements in horsepower.





Appendix B-1 is a list of typical industries operating in the province of Quebec of a type generally found in Nova Scotia. Examination of this list indicates that all these industries have power requirements generally similar to the industries which now exist in Nova Scotia.

An examination will also indicate that most of them require very small amounts of power. There are several of these industries -- shoes, toys, furniture and so on -- many of which only require 100 horsepower or thereabouts.

The additional demand, resulting from the establishment of new small industries, is not the dominating factor in determining power plant expansion. Properly planned expansion would call for thermal generating units of not less than 25,000 horsepower each. One of these units could supply more than 250 times the power required by all industries, together with their employee domestic requirements.

Additional demand from large industry has had more decided effect on the planning for power plant expansion, but some of this effect is always provided for in forecasts of load growth and plant expansion. For example, the recent request of National Gypsum Company for 3,000 horsepower coincident with a request from Imperial Oil Limited for 10,000 horsepower were both met by Nova Scotia Light and Power Company, Limited, without difficulty or delay.

The impingement of even larger loads, for example, loads of 50,000 to 100,000 horsepower or even more, can be met. Industries using these amounts of



wer would require at least the same time to construct their own facilities as would be required to install generating equipment. There is little difference in the time required or the facilities needed to construct a 50,000 horsepower thermal generating station as compared with one of 200,000 horsepower capacity.

As we mentioned before, sir, the future expansion in Nova Scotia is in thermal generation.

Then under the heading of "Cost of Electric Power", except for very large users, electric power costs in Nova Scotia are generally lower than those prevailing in the United States and compare favourably with those right across North America. This is particularly true for the domestic and small power users in the Atlantic seaboard areas where thermal stations are the principal means of power supply.

In other areas of the continent where costs are generally lower than those prevailing in Nova Scotia the source of generation is large-scale hydro.

Where electric power costs for large users in the Atlantic seaboard areas are lower, it is because fuel costs in those particular areas are decidedly lower than those in Nova Scotia.

At the bottom of the page we state that of the total cost of supplying electricity to the consumers, operating experience in Nova Scotia indicates that, for those areas served by thermal stations, the cost of fuel accounts for approximately 30 per cent. However, it must be pointed out that for very large industries which are located near the generating source,





d which are supplied directly from the main high voltage transmission system, the fuel cost becomes more of a determining factor and can amount to 60 or more per cent of the total cost of supplying energy to the consumer. That is because this type of consumer does not require or make use of many of the distribution and other facilities which are essential to smaller customers.

Comparisons of costs for electricity in Canada and the United States are shown in Appendix

The data for calculating these figures can be found in the Dominion Bureau of Statistics Bulletin called "Cost of Electricity for Domestic Service, Commercial Light and Small Power", Appendix

The Edison Electric Institute Rate Book, Appendix C3.

Nova Scotia Light and Power Company Limited schedule of rates and regulations, Appendix C4.

Examination of the tabulation filed as Appendix C1 shows that, for some areas in Canada and in most areas along the Atlantic seaboard of the United States, the cost of electricity in Halifax is lower for "domestic" and "small power" users. On the other hand, the cost for "large power" users is generally lower along the Atlantic seaboard of the United States than in Halifax.

We would state also that in making up that tabulation, the comparison in C1, comparing rates along the Atlantic seaboard of the United States, those are practically all based on thermal stations, and their



the structure is based on a fuel escalator clause. Generally the escalator is based on coal at \$5 per ton. From our information they are generally paying higher than that, more in the vicinity of \$8 to \$9. We have then applied the full escalator to the small power plant, so the difference in power cost in Halifax and the power cost shown is even more favourable to Halifax than shown in the tabulation.

We then go to the "Trend of Future Cost", and we say that in this trend it is the thermal fuel which is the big item. Utility operators to a large degree control most of the capital and operating costs in their own industry, and these are kept generally in line across the continent. The utility operator, however, seldom has any control over the cost of fuel.

The difference in the cost of coal and oil creates a problem for the electric industry in Nova Scotia. It must be remembered that the coal industry, although dwindling, pays an important part in the economy of the province, but on the other hand the fast-growing electric industry plays at least an equally important part.

Coal delivered in Nova Scotia to a power station is higher by a considerable amount than coal at other places. In an attached appendix a comparison of those costs is given. It will be noted that the costs in the Toronto area are in the vicinity of \$8 per ton, and in the Halifax area about \$12 per ton. Residual oils are available at less than that, and there is the problem of the effect of the position of the coal industry on the economy of the province,





d the effect of the cost of fuel on the electric industry.

We carry on under the title "The Effect of the Cost of Power on Industry", and we quote from "Highlights of Electric Power in Canada", prepared by J. Huet Massue, economist for the Shawinigan Water and Power Company, dated June, 1954.

"For most industries, the cost of electricity is a very small item in the cost of production. This is illustrated by the following tabulation, which gives for a few industries the proportion which the cost of electricity bears to the total cost of production in Canada."

If you run down that tabulation you will notice that for agricultural implements it is 0.29 per cent; for automobiles, 0.09; for boots and shoes, 0.19 per cent; for clothing, 0.15 per cent; for machinery, 0.32 per cent, and there are many others where the proportion is well below 1 per cent.

For the following industries the cost of electricity represents a higher proportion of the total cost of production:

"Abrasive products	5.56%
Acids, alkalies and salts	6.80
Artificial ice	5.25
Cement	3.60
Compressed gas	3.20
Fertilizers	2.03
Non-ferrous smelting and refining (Quebec)	7.65



"Primary iron and steel	4.04%
Pulp and paper (Quebec)	3.83
Woodenware	2.02"

That is our submission. Then on page 9

e have the summary:

- . The future power economy of Nova Scotia must be based on thermal generation.
- . Power in any quantity can be made available in any part of the province.
- . The several grid systems are growing through planned extensions toward a province-wide grid.
- . Tidal power is available in the Bay of Fundy for an initial development of more than 3 million horsepower.
- . Fast-moving nuclear research indicates the early use in future thermal stations of atomic fuel at low cost.
- . For most industries the cost of electricity is a very small item in the cost of production.
- . Power costs are favourable to the establishment of all types of small industry.
- . Power costs are favourable to the establishment of many types of large industry.
- . Nova Scotia should be able to attract a large number of new industries similar to the many now located in the Atlantic seaboard states where power costs are generally higher than they are here.
- . Fuel cost represents about 30 per cent of the cost of electricity to small users with demands of less than 1,000 horsepower.





Fuel cost represents about 60 or 70 per cent of the cost of electricity to large users with demands of more than 1,000 horsepower.

The cost of coal at mainland generating plants in Nova Scotia ranges between \$11 and \$12 per ton or between 42.5 cents and 46 cents per million B.T.U.

The cost of coal in the United States ranges between \$2.64 and \$9.92 per ton or between 16 cents and 38 cents per million B.T.U.

The cost of heavy oil residuals in Nova Scotia is less than that of coal.

The lower cost of residual oils creates a problem that is important to the electrical utility industry, the coal industry, and the economy of the province.

There is one further item that we perhaps not sufficiently elaborate in our brief, and I have a comparative calculation. I might leave two files of this with you.

It has been mentioned in Nova Scotia that head generation might be the salvation of the electric power industry. We have made here a comparison between the cost of transportation of fuel from the pit to a power generating station located say in Halifax, against the cost of locating the station at the pit and transmitting the power over transmission lines to Halifax.

The transmission line cost is based on a 3-phase circuit, 220 Kv transmission, Conductor 336,400 c.m.,



CSR, tower design Canadian Bridge Co., Bid No. 20766-991 of August 9, 1955, and Dwg. of October, 1952. based on 5 structures per mile for transmission of 100 M.W. at a load factor of 70 per cent.

We have put a two-circuit transmission line here which we claim is very necessary for the reliability of that line of power. We have put in transmission losses of 5 per cent, which include an additional high tension transformer. The additional transformer would be required by a station transmitting from the pithead at that voltage.

All carrying charges and maintenance expenses are considered to be  $12\frac{1}{2}$  per cent of the cost of line.

For comparison purposes, since the generating plant cannot be located directly at the minehead due to requirements for circulating water and natural conditions, the 20 cent a ton cost of local handling from the mine pithead to the generating plant is figured on.

Generating plant considered will be 100 MW or larger, of 1250 lb. pressure and 950°F. This plant would have an efficiency of 30.8 per cent and coal consumption of .81 lbs. of coal per KW hr. generating heat rate of 10,200 B.T.U.'s per KW hour.

In considering this comparison the same class of plant can be erected either at the mine or at the load centre.

All things about the plant itself would be similar in both places. With a 100 megawatt plant with a 70 per cent load factor, 613,200,000





W hours would be generated easily. With a loss of per cent the losses would be 30 million KW hours. The total coal requirements would be 260,000 tons per year.

As to freight rates on the coal, the rate from New Glasgow to Halifax is \$1.58 per ton, and from Sydney to Halifax is \$2.21 per ton.

Now, as to the cost of transmission losses based on Halifax and New Glasgow, a distance of 100 miles, they are estimated at  $12\frac{1}{2}$  per cent of 4,800,000, which equals \$600,000. Transmission losses of 5 per cent on 260,000 tons of coal, assuming coal at a very low price of \$8, to be favourable to the pithead comparison, would be \$104,000. Cost of handling the coal at the mine would be 20 cents per ton, which for 273,000 tons would be \$54,600. That makes a total yearly cost for this operation of 758,600. On the other hand the freight on 260,000 tons of coal from New Glasgow to Halifax would be 410,000, so that there would be a difference of 300,000 favouring the transmission of coal rather than the establishment of plants at the pithead to transmit electricity.

Assuming the plant were located in Sydney, the transmission distance would be 260 miles as compared with 100 miles at New Glasgow. Therefore the fixed cost and losses would increase in proportion to the mileage. In that case the figure would be 704,00 multiplied by 2.6, which would give a total of \$1,820,000, together with local handling of 93,800 tons at 20 cents, or \$58,760, giving a total of \$1,878,760. The cost of freight and the cost of



60,000 tons of coal from Sydney to Halifax, at \$2.21 per ton, would be \$575,000.

So we suggest that these figures will give an indication that it is cheaper to locate a generating plant at the load centre and transport the fuel rather than attempt to locate at the source of the fuel and transmit the electricity.

I think, sir, that ends our presentation.

THE CHAIRMAN: Thank you very much.

MR. GRAUER: Your company is interested in atomic power, I take it?

MR. HARRINGTON: That is correct.

MR. GRAUER: Did you put in a bid for the pilot plant?

MR. HARRINGTON: That is correct.

MR. GRAUER: In your studies did you come to any conclusion as to the probable cost of atomic power?

MR. HARRINGTON: I would say that all we can get out of that is a complete fog. We have no doubt from our studies and our association with the problem that the production of electricity from atomic energy is certainly possible if it can be done practically. What the cost of uranium will be as a fuel will be a very big question, and at the moment we cannot get any finite information on it. Some of that, of course, is because the subject is covered by security regulations. Another point is that one of the products they may require in the Canadian venture is heavy water, and the cost of producing heavy water becomes a question.





Again, in the Canadian plan for atomic power they plan to recondition the uranium fuel rods that would be installed in that plant. After a certain time they would be withdrawn and sent somewhere for reconditioning. The cost of transporting those radioactive rods to a reconditioning plant any distance from the power plant would be very, very heavy, because of the required shielding of the rods. Also we have been told that to establish a reconditioning plant, with its radioactive by-products, by a thermal generating station would not be practical unless the generating station was up close to a million horsepower.

So there are a great many problems yet to be brought out in the atomic power field. In England, where they are using a different system, their cost is going to be largely based on the cost of plutonium, and at what cost it can be disposed of. Plutonium, as you probably know, is mainly a defence material, so it would be tied in with defence there. So we feel there are a great many ifs in connection with atomic power, because of the cost.

As to the practicability of it, with the large amount of uranium that is available; with the amount of research that has been done in a very short time, and with some of the developments we have seen, we have no doubt now that within ten or fifteen years commercial atomic plants will be very much in the foreground.

MR. GRAUER: What size of units would you probably be interested in?



MR. HARRINGTON: Even in the pilot plant we were suggesting we would install a plant of 20,000 kilowatts. That was a size suitable to have, because they didn't want to go too much higher at the time. I think when atomic energy is here commercially the plants will be in the order of perhaps 100 megawatts.

MR. GRAUER: Within the next 25 years or so do you see the atomic power plants having any decided edge over your thermal plants?

MR. HARRINGTON: This is entirely a guess. I am not sufficiently versed to make any profound statement, but my own guess is that in 15 years you will see atomic plants of the 100 megawatt size being developed that will commercially competitive with fuel costs such as we have in Nova Scotia at \$12 per ton. When you get down to the natural gas; when you get down to some of the states of the United States, I do not think they will be competitive.

But again, if you look past 15 years and look ahead 25 or 30 years and the depletion of our fuel resources, something of that sort must be done, and England is going ahead with atomic energy mainly because her fuel resources are so badly depleted. Therefore England has a double reason for developing atomic energy. One is the matter of cost; the other is the availability of fuel.

MR. GRAUER: In a period of 25 years or so do you see atomic power taking the place of thermal power?

MR. HARRINGTON: I think for extensions. I would not see atomic power taking the place of any





existing power plant until that plant is obsolete and in such a state of repair that it is not worth keeping it on anyway. Then if you were replacing it, instead of replacing it with a similar plant you might replace it with an atomic plant.

THE CHAIRMAN: Thank you very much. We are very grateful to you.

--- At 5:30 p.m. the commission adjourned.



Thursday, October 20, 1955.

The commission resumed at 10:00 a.m.

arances: Hon. H.D. Hicks, Premier of Nova Scotia;  
Hon. W.T. Dauphinee, Minister of Trade  
and Industry and Minister of Mines;  
Mr. Waldo Walsh, Deputy Minister  
of Agriculture;  
Mr. C.W. Creighton, Deputy Minister  
of Lands and Forests;  
Mr. J.P. Messervey, Deputy Minister  
of Mines;  
Mr. John Bigelow, Deputy Minister of  
Trade and Industry;  
Miss Z. Linkletter, Economic Adviser,  
Department of Trade and Industry;  
Mr. Stanton Sandford, President,  
Nova Scotia Federation of Agriculture;  
Mr. Roland Sutton, Secretary,  
Nova Scotia Fruit Growers Association;  
Senator C.G. Hawkins,  
Lumber industry of Nova Scotia;  
Mr. C.E. Hibbert, Managing Director,  
Fairey Aviation Co. of Canada Ltd.;  
Mr. A.C. Carter, Director and General  
Manager, Cossor (Canada) Ltd.

THE CHAIRMAN: Ladies and gentlemen, I  
est we come to order. Hon. Mr. Dauphinee is going to  
t the proceedings this morning. Would you start when-  
you care to, Mr. Dauphinee? I suggest that the  
presentations and the briefs of the province be marked  
Exhibit 4.

MR. DAUPHINEE: Mr. Chairman, it is a  
asure for me, on behalf of the government of Nova  
ia, to welcome you and the members of your commission





his province.

The hon. the premier regrets that he is unable to be here at this hour due to his absence from the province, but looks forward to meeting with you later in the day.

We recognize the monumental task that is before you in seeking to assess the potential and direction of Canada's national growth. The difficulties are many and the assessment of imponderables may well play a major role in your ultimate conclusions. Many of the factors which you will have to assess will be related to world-wide forces and events, the ramifications of which will be world-wide and capable of but modest influence by the efforts of Canada alone.

However, if the work of your commission is limited to but to point up the issues that will emerge, this short-term look cannot help but broaden our horizon and vision as a nation. This in itself will serve to assist in reconciling immediate conflicts of interest, which may today present themselves as obstacles to progress. Knowledge gained from the research that will be conducted by your commission, and disseminated throughout the nation, will not only establish important facts upon which to base future decisions, but will assist in devising a basis of co-operation and organization that will have a tremendous effect on the production and use of our resources.

The government of Nova Scotia appreciates the invitation you have given it to put before you our views on matters important to the welfare of Nova Scotia. We recognize that as your work proceeds, a



ged conception of the pattern of our social and economic life may well emerge. As a result, we have refrained from attempting to give you any pat answers. Instead, we make an offer of continued co-operation and a willingness to assist you as your studies progress, with information regarding our province as is within our ability to provide.

Therefore, for the time being, our submissions are concerned with the more immediate situation, we hope they will be of value to you in assessing long-term outlook. We have included a brief analysis of our manufacturing economy, the general picture with respect to our primary industries of agriculture, mining, forestry and fisheries. We have mentioned the problems we confront us in these various fields as well as some that are common to all.

We have suggested a review of the current effects of the Maritime Freight Rates Act to determine its intent and purpose are being realized today. The act together with subventions on coal serve to amplify the effects of our great distance from the central market. We also feel that it would be highly desirable to place feed grain assistance on a permanent basis.

In the field of mineral exploration we seek to stimulate the industrial potential of the province by a programme of aerial geophysical surveys. We recognize the primary position occupied by the railways as consumers of coal. Perhaps the greatest single encouragement that could be given the industry at this time would be to proceed with the construction of a prototype oil-fired gas turbine locomotive.





In forestry, together with the federal government we are in process of completing our forest inventory. We are putting forth great efforts to establish a consuming capacity of a type that will make possible better forest management, thus accelerating the rate of growth on our forest lands.

In respect to fisheries, we are aware that the industry itself through the Fisheries Council of Canada will be making a submission to you. However, we point out the need for the federal government to join with us in supporting a programme of modernization and expansion. We have shown the need for more substantial long-term credit for the purchase of farms and equipment, made necessary by the larger capital requirements in modern farming.

The provision of financial assistance by way of medium-term loans for the expansion of secondary industry has been recognized for some years as an important factor in industrial development. This province has set up an industrial loan fund to accomplish this purpose. It is felt that the industrial development bank could play a much more significant role in the Atlantic economy -- a regional office in this area would well enhance its effectiveness.

The Department of Trade and Industry have employed a world-famous firm of industrial consultants to assist in identifying industrial opportunities in this province. Their services and the work of the department are greatly handicapped by the lack of essential statistical information as it applies to the economy of the Atlantic region. We are satisfied that a complete



t-output study would greatly facilitate this work, particular reference to potential regional markets, all as give a much clearer picture of the economy he area.

The brief does not contain any statement social capital requirements. These will be submitted the dominion-provincial conference when it reconvenes, subsequently copies will be made available to the mission.

I have now touched briefly upon some of points brought out in our brief. Present here today a number of our deputy ministers, our director of omic services division and the chief engineer of Department of Mines, who I have no doubt will be sed to endeavour to answer any questions the com- ion might care to ask, or elaborate on any of the ts raised in the brief as relating to their respect- departments.

I now lay before the commission this brief.

I should say that those present include Dr. Walsh, Deputy Minister of Agriculture; Mr. G.W.I. ghton, Deputy Minister of Lands and Forests; Mr. Messervey, Deputy Minister of Mines; Mr. Morley or, Manager of the Nova Scotia Power Commission; John Bigelow, Deputy Minister of Trade and Industry; Linkletter, Economic Adviser to the Department of e and Industry; Mr. M. G. Goudge, Chief Engineer of Department of Mines.

THE CHAIRMAN: Thank you very much, Mr. hinee. We were wondering whether the officials you referred to would care to summarize the points in





brief which pertain to their departments. We have had an opportunity of reading the brief yet, so we are not in a position to just ask questions.

MR. DAUPHINEE: I will ask Mr. Walsh to take the brief.

THE CHAIRMAN: Mr. Walsh, if you prefer to read your portion of the brief please feel free to do so; if you would prefer to summarize it that might be a better course. Feel free to present it in any way you wish.

MR. WALSH: I think I had better read it, if I may, because I have not seen this final copy until this moment. I know pretty well what is in it, but if you do not mind I would prefer to read it and then deal with any particular phase on which you might feel I should elaborate.

The province of Nova Scotia does not produce all its food requirements in many commodities which can be economically produced in this area. Much can still be done in the way of improved use of agricultural resources. Looking in terms of livestock production, we have thousands of acres of good grassland which are not at present being fully utilized. Our climate and soil is such as to provide excellent grasses for grazing, making of hay and grass silage -- all items in beef and sheep production.

Inadequate marketing facilities are largely responsible for our lack of development here. At the present time, the established price of beef is for live animals around  $3\frac{1}{2}$  cents per pound lower than what is paid in Toronto. On a 1,000 pound steer, this means \$35.00 less. At the same time the price of meat in Halifax to retailers -- according to the bureau of statistics this C grade steers -- is 4.1 cents higher than Toronto.



pay more there and the retailer pays more here. Better marketing and processing facilities in this area would encourage farmers immediately to increase production and improve the quality of their livestock.

An excellent example of what can be accomplished is found in the poultry industry. In ten years the industry has been changed from a very minor factor in the agricultural economy of Nova Scotia to one of great importance -- from a value of three to twelve million dollars annually -- with improvement in quality from the lowest to the highest in Canada and a corresponding price change to the producer.

We are now getting in a surplus position in poultry and, annually, ship dressed poultry to many provinces in the country and also to foreign markets. A similar development can be achieved in the production and sale of beef and other meats if certain conditions are brought about to assist and sponsor orderly market-inspected slaughter, grading, and identification for quality to the consumer.

An important aspect of the livestock development has been the freight assistance on feed and fertilizer. This policy was established in the fall of 1945 and was an attempt to give some measure of equality to agricultural producers in the extremities of the country. This policy has been most worthwhile but its full benefits have not been realized because it has never been made permanent.

This lack of permanency does have a restraining effect on an all-out agricultural policy in this area. It is hoped and expected that steps can





taken to put this on a permanent basis, in view of the fact that the policy has been most helpful to all parts of Canada. It has helped the grain growers of the prairie provinces, the livestock producers of British Columbia and the east, and it has been most beneficial to consumers by keeping down the prices of meat and livestock products throughout all of Canada. That should include milk, butter and so on.

The province of Nova Scotia has a surplus of certain agricultural products of which apples and potatoes are the most important from the export point of view. The British West Indies, Cuba, eastern United States, Great Britain and other western European countries were our traditional markets. Exchange problems, tariff barriers and other hazards of international trade have beset our producers since the war and have, in some cases, dried up these markets altogether.

The protection to the manufacturing industry afforded over the years by the Canadian tariff has in the past served to build up industries in central Canada. The cost of transportation to the market thus created is very great for our products to compete there. At the same time the tariff has prevented our traditional customers from earning dollars to buy Nova Scotia products.

Agriculture like manufacturing must be constantly changing to keep up to date. Mechanization brought about by increased cost of labour has greatly changed agriculture on this continent in the last twenty years. In all areas, farms have increased in size; machinery has replaced manpower, and the output per man has increased over tenfold. To accomplish this requires



considerable capital and the evidence suggests that credit facilities available to farmers have not kept pace with the need. Twenty-five years ago a person in this province with \$5,000 could probably purchase and operate a farm. Today an economic family unit farm would require at least \$20,000.

Twenty years ago the Canadian government took steps to provide a source of funds and organized the Canadian Farm Loan Board. In the opinion of people in the agricultural field the board, either by intent or accident, has not met the need for capital. Its operations are most conservative and have not kept pace with requirements. This view is commonly held in all parts of Canada.

Some provinces have established land settlement boards in order to give some relief. The board of this province is particularly active and is doing a good deal in a limited field. The limited field is land settlement.

The recently organized Canadian farm improvement loan plan operated through the banks with government support is widely used throughout Canada and, to some extent, in this province. It meets the need in a limited way for short-term credit, but the big need is for a long-term credit policy.

It has been suggested in some quarters that the Canadian farm loan board might operate on a joint basis with the Nova Scotia land settlement board administering the plan. With federal credit being extended to 75 per cent, the Nova Scotia board would be in the position to do the over-all job. This plan would, in





opinion, remove any possible criticism of duplication and overlapping. If liberally applied it would place the good farmers in a position to expand and improve their operations in keeping with their needs.

Agricultural authorities in all provinces of Canada, over the past ten years, have asked for a national soil conservation policy. They are mainly interested in some plan whereby certain phases of soil conservation would be available to the province in some form of co-operative set-up. In certain sections of Canada, and even in this area, we have examples of this type of operation. In western Canada they have the Prairie Farm Rehabilitation Act and in Nova Scotia we have the Maritime Marshland Rehabilitation Act. The federal-provincial limestone policy which applies to the six western provinces is another excellent example.

It is, however, our view that this policy should be expanded and extended to cover other items including the following: (a) fresh water control; (b) community pastures; (c) drainage of bogs and swampy lands and (d) construction of farm ponds for irrigation and fire protection.

That, Mr. Chairman, is the section which deals with agriculture.

THE CHAIRMAN: Mr. Walsh, at the beginning of your talking about beef production, you referred to inadequate marketing facilities as being largely responsible for the lack of development here. Would you like to expand that a bit? What do you need here?

MR. WALSH: I would like to very much. First of all, livestock is marketed throughout Canada



ally at some central points where there are live-  
yards; and associated with those yards there are  
ing plants, killing and packing plants owned by  
e companies, corporations, and in some cases by large  
eratives. These are federally inspected plants  
must come up to certain specifications for volume  
or sanitation, and must stand constant inspection  
health reasons. There are some 50 or 60 plants in  
la that are under federal inspection; but there are  
in Nova Scotia.

THE CHAIRMAN: Is there any reason why  
should not be?

MR. WALSH: Well, the reason is that no  
any up to date has felt that there was a sufficient  
e here to establish a plant, I presume.

THE CHAIRMAN: Would that go for any co-  
tives too?

MR. WALSH: Well, you are going to hear  
from the Federation of Agriculture. At the present  
t they are taking certain steps to alleviate that  
tion.

THE CHAIRMAN: They are?

MR. WALSH: Yes. For instance, a year ago  
arketed 31,000 live hogs from this province. There  
more than that marketed dressed, but all those hogs  
moved out of the province for slaughter. That is  
we are talking about. They all had to be moved to  
de plants; they were slaughtered there, and no doubt  
of that meat came back to us. We think from the  
point of volume we are now in a position to meet





requirements of a good, small, well-operated and  
ected plant somewhere in this province.

THE CHAIRMAN: I am surprised at ~~what~~ you  
about volume. We were told yesterday that the popu-  
on of the metropolitan area of Halifax was somewhere  
nd 200,000. Surely that sounds like quite a good  
er of people. Is that not enough to support a pack-  
plant?

MR. WALSH: I meant livestock population.  
ably I used that term loosely, but I am a livestock  
There are steps now under way in this area to just  
hat very thing. We think that if this ~~is~~ done over  
years it can give the consumers a high quality  
uct that is free from any suspicion of disease. It  
offer the producers an opportunity to ship to some  
ral marketing plant, and it can close up that gap  
is now there on beef which is quite a drain on the  
ucer and does not in any way benefit the consumer.

I might tell you, Mr. Chairman, that our  
s in this connection are not theory. I remember  
onally when this province sold its hogs at prices  
er cent lower than hogs were selling in Ontario and  
ec. Through the technique which I have suggested,  
of centralized selling and grading, we have changed  
practice over the years and today the Nova Scotia  
er can sell hogs any day of the year and his market  
e is the highest in Canada, because we are further  
the source of livestock in Canada and as it moves  
transportation is added and costs go up.

Does that help to give you an answer to



question?

MR. GRAUER: Was the improvement in connection with poultry brought about entirely by local efforts?

MR. WALSH: Yes.

MR. GRAUER: Then your difficulty here is not of markets. You have the local market?

MR. WALSH: We in this province are spending for meat \$1 million a month from outside. I am very conservative in that statement. I can get you the accurate figures.

THE CHAIRMAN: If you had the packing plant farmers would produce more livestock; or is it the other way around?

MR. WALSH: We believe that. We have watched in poultry; we have watched this thing develop from poorest quality and the lowest price in Canada to the best quality. We were at a conference in Fredericton a few weeks ago and the manager of one of the meat packing plants, a national meat packing plant, who has been located here over all these years, told us that last year he had a score of carloads of poultry in Ontario, and the argument he had with the buyers was whether he was going to get 3 cents or 4 cents premium over their top prices up there. That was done by a very well planned programme of intelligent production and marketing.

MR. GRAUER: I take it you feel that your objective, as far as the proposed marriage of the Scotia land settlement board and the federal credit facilities is concerned, would be not to settle new farmers on the land as much as to assist the good farmers





improve and consolidate and expand their holdings?

MR. WALSH: That is right. At the present the land settlement board is considered one of the active in Canada by people who are in a position of good judgment. It does a good job in a limited field, but they are not essentially equipped or established to handle the actual long-term loans. They do settle immigrants, farmers' sons and people from outside the province who come in.

MR. GRAUER: These new settlers get along all right, do they? Or do they present problems too?

MR. WALSH: We have been very happy in our experience with these new settlers who have come from Holland, the majority from Holland. They are fine people, and our record with them from the standpoint of payments has been outstanding.

MR. GUSHUE: How does the federal-provincial limestone policy work?

MR. WALSH: It is approximately 50-50. The program was started originally by the province, which paid approximately all the transportation. There is only one fertilizer in this province of any size, and they put out fertilizer product at a cost to the farmers of say \$2.25. The government departments subsidize the production and the transportation 50-50, to a point where the farmer gets this fertilizer landed at his station any place in the province for around \$2. It is a pretty heavily subsidized proposition. Our soils are reasonably good, but in the main they are acid, and agricultural limestone neutralizes this and makes these soils most receptive to good cultural methods.



the production of high class products.

THE CHAIRMAN: Thank you very much, Dr.

h. Would Mr. Creighton perhaps like to present the  
ion on forestry?

MR. CREIGHTON: Mr. Chairman and gentlemen,  
Dr. Walsh I shall read the brief, which was prepared  
omebody else, and then perhaps I might like to en-  
e on it, or you may care to ask questions. I think  
needs some enlarging.

Nova Scotia has 14,000 square miles or  
0,000 acres of forest that has been producing a  
ety of forest products for the past 250 years. I  
t say that in our annual reports we have been using  
round figure of 10,000,000 acres. That admittedly  
rough estimate, and the forest inventory being  
ied on at the present time may prove the forest area  
e 8,000,000 acres; it may prove it to be 12,000,000  
es, but this is just a round figure of 10,000,000  
h we have been using for convenience.

An inventory of this forest is in the  
ing. Ownership is 25 per cent crown, 75 per cent  
vate. The privately-owned forest is divided between  
called large land owners and small woodlot owners.  
ight add that at the present time roughly one-third  
the forest land is owned by the farmers of the province.  
ut 20 per cent is owned by the so-called larger com-  
ies. The balance is in miscellaneous small ownerships,  
ional parks, Indian reserves, town watersheds and so on.

Present crown ~~land~~ policy is to acquire in-  
ased acreage to bring the crown holdings to a bigger





centage of the total forest. I might say that policy embarked upon about 15 years ago. The aim at that was to add 1,000,000 acres to the crown holdings, a view that if one-third of the forest land was d by the province, one-third by the farmers and one- d by industry, it would give a favourable balance of rship. Up to the present time half our objective, bout half a million acres, has been added to the n lands by purchase from private land owners.

The crown lands are scientifically managed r the supervision of foresters. Trees ready for est are advertised for public tender. Fire protec- is provided by the government on all forest lands.

The Small Tree Act of 1945 introduced the nning of forest management of privately-owned forests. act regulates under permit the cutting of certain ies until the trees reach a certain diameter. Some owners operate their properties on a sustained yield s, others practise indiscriminate cutting.

This forest provides the raw material for newsprint mill and three groundwood pulp mills in Scotia, the timber for the sawmill industry that lies local demand and an export market for sawn er, the pit prop and small timber requirements of a Scotia coal mines.

This consumption pattern puts considerable basis on quality, while lack of scientific management any large area of forest has tended to increase the ntity of smaller and less desirable trees. A better ance in consumption and a powerful aid to extend



ement would be the addition of a bleached kraft

The accessibility of this forest coupled with the climatic conditions of the province point to a greatly increased production per acre from this resource. The way to consume in the province more of the cellulose growing can be found; and the harvest and regeneration of future crops can be better controlled.

With the addition of some abandoned farm land and the restoration of fire barrens the total acreage of forest can be slightly increased.

With improved utilization and management devoted to the maximum the yield per acre of the forest resource can be greatly enhanced.

Increased attention to standards and quality of lumber production can improve financial returns. The financial returns from the forest resource are probably spread more widely throughout the provincial economy than any of the primary industries and this added to the security of stability of this industry makes it deserving of every effort to attain its maximum development.

Under the Canada Forestry Act a pattern of federal-provincial assistance has been set in making a forest inventory of Nova Scotia. This co-operation could be extended to assistance on woodlot management and agricultural problems when the provincial programme is further advanced.

MR. LUSSIER: I notice that you want to release the crown holdings?

MR. CREIGHTON: Yes.





MR. LUSSIER: To one-third of the province's  
ests. Is it absolutely necessary that you spend so  
h money to acquire crown land? I will tell you why  
sk. I notice that in the Scandinavian countries  
majority of the forests are private forests, but in  
er to have those people tend their forests properly  
y have good rules and regulations, and I think they  
a model of forest management in the universe.

MR. CREIGHTON: Yes. In this province we  
back into history, and up until 1900 the chief  
erest of the government of the province was to get  
ple on the land. Grants in fee simple were given  
ardless of whether the land was fit for agricultural  
poses or not, and possibly 80 per cent of the land  
a of Nova Scotia is not fit for agriculture.

The land was granted and it was cut, and  
many cases plundered and burned and became derelict,  
no one was interested in it. At the time of the  
now report, which was published in 1912, Dr. Fernow  
orted at that time that 25 per cent of the forest  
a of Nova Scotia was in fire barrens.

Well, a great deal of that land was  
vately owned. No one was interested in it. They  
e not interested in paying taxes on it. So we in  
Department of Lands and Forests embarked upon a  
icy of buying cut-over and burned land that was  
entially capable of producing forests.

Regardless of whether the private land  
er in Sweden managed his land well, the private land  
er in Nova Scotia who had burned and cut-over lands



no interest in them whatever. He would not pay  
s, and the land was becoming derelict. So the  
ernment was the only body that could or would look  
er that land.

We embarked upon that policy, and for many  
s we paid 25 cents an acre for the land. To date  
have purchased 500,000 acres at an average price to  
taxpayer of \$1 per acre. So we have not spent any  
ge sum of money on land. We have been buying poten-  
l forest land and protecting it and bringing it under  
agement.

MR. LUSSIER: I notice that you are expect-  
to get a new kraft mill. I saw in the paper this  
ing that you are going to get a paper mill.

MR. CREIGHTON: That is something I cannot  
ment upon. I read the papers, too. I can hope,  
ugh.

MR. LUSSIER: But how about the natural  
eneration of your stands now?

MR. CREIGHTON: We consider that with our  
time climate, natural regeneration in Nova Scotia  
excellent.

MR. GUSHUE: You may have to assist in the  
ned-over areas?

MR. CREIGHTON: We do some planting. There  
certain areas in the province that have been burned  
r for so long that the people in the immediate areas  
not believe they are capable of growing timber, and  
have to do some planting to prove that the area is  
table. We do some planting to stop fires, you might



MR. GRAUER: What is your average yield  
per acre in your mature stands?

MR. CREIGHTON: Our forests up until this  
have been unmanaged, and I would not like to hazard  
a guess. We have been producing year in and year out  
about 500 million board feet, and that is coming off a  
total area of possibly 10 million acres, of which Dr.  
Snow said in 1910 some 25 per cent was fire barrens.  
Production will vary greatly. If our forest inven-  
tory were not so nearly completed I might be bold enough  
to hazard a guess, but as it is I might very soon be shown  
to be wrong.

MR. LUSSIER: Have you many forest fires  
each year?

MR. CREIGHTON: Yes.

MR. LUSSIER: Epidemics?

MR. CREIGHTON: Depending on the weather.  
I suppose we have an average of about 300 fires a year.  
Last past year it was under 300. May and August are  
the two bad fire months. Our forests are very accessible,  
with so many people in the woods we possibly have  
relatively more fires than in some of the other provinces.  
Because our forests are so accessible our fire  
fighting crews can get on the fires very rapidly, so  
that our fire losses I think are less than in a good  
many other provinces.

MR. LUSSIER: Have you an idea of the aver-  
age area which is burned every year?

MR. CREIGHTON: It is under 10,000 acres a  
year. The average would be under 10,000; roughly one-  
tenth of one per cent.





THE CHAIRMAN: Mr. Creighton, when do you expect the inventory to be completed?

MR. CREIGHTON: In 1957.

MR. STEWART: Until that is completed is not possible, I suppose, to indicate the maximum development -- you referred to maximum development, I think -- you will have no idea of how extensive that expansion could be until the inventory is completed?

MR. CREIGHTON: Well, no. Speaking personally, I do not know that the expansion can be very great in the immediate future; but taking a long-term point of view I believe the province is potentially capable of producing double what it is producing at the present time; and I think taking a still longer-term view the potential is probably three times.

MR. GRAUER: Would your long-term view embrace about 25 years?

MR. CREIGHTON: The first long-term view. I think in 25 years it could be doubled.

MR. GRAUER: And your longer term about 50 years?

MR. CREIGHTON: Yes.

MR. LUSSIER: Do you mark the trees that are to be cut?

MR. CREIGHTON: We mark some. We are marking more and more trees all the time. The size of our staff limits the amount of marking we can carry on. In eastern Nova Scotia the stands run heavily to balsam poplar. When we get a stand of balsam fir we recommend selective cutting, and we mark no trees and place no diameter



t. In the stands of red spruce and red pine we  
to mark trees for cutting.

MR. GUSHUE: Is there any serious infesta-  
in your forests here?

MR. CREIGHTON: There is some budworm in  
Breton island at the present time, but we have not  
nsive areas of mature balsam fir. The Nova Scotia  
sts are so accessible, and during wartime our forests  
so heavily cut -- as a matter of fact during wartime  
Scotia's forests are usually overcut -- so that we  
not have the extensive areas of mature or over-mature  
am fir that are conducive to an outbreak of budworm.  
plateau area of Cape Breton is the only place where  
have an outbreak of any consequence at the present

MR. LUSSIER: How do you administer the  
Act on private land?

MR. CREIGHTON: The Small Tree Act requires  
operations of 50,000 board feet measure or more  
a licence signed by the Minister of Lands and  
sts if spruce, pine or hemlock smaller than 10  
es in diameter are to be cut. So an operator who  
emplates cutting usually drops in to see one of our  
strict foresters. He goes on the ground with the  
rator, looks over the proposed operation and dis-  
es what should be cut right on the ground with the  
rator. Then later he makes a recommendation to the  
ster for or against.

MR. LUSSIER: And you are satisfied that  
control is good?





MR. CREIGHTON: Not entirely satisfied.

the Department of Lands and Forests did not ask the Small Tree Act. The lumbermen of the province did for it. The government of Nova Scotia passed the act and handed it over to the Department of Lands and Forests to administer, and we have been trying to administer it with reason and commonsense ever since. We are quite pleased, but the results of hurricane "Edna" hit us a bit. Some of the areas which had been selectively cut were blown down by the hurricane, but I must hasten to add that the most serious blow-down occurred in some mature stands where there was no logging at all. In other words there was a blow-down by the hurricane hit.

There have been some mistakes, but as I think the greatest good the Small Tree Act has done is that it has put the government foresters in the woods with the lumber operators. Our foresters have learned a great deal from the operators, and I believe the operators have learned something from our foresters. At any rate, public relations are on a much higher plane than they were before the act went into effect.

MR. LUSSIER: Thank you.

MR. GUSHUE: What is the market for your production of groundwood pulp? Does it feed your pulp mills, or do you export?

MR. CREIGHTON: It is largely exported. The production of groundwood pulp in Nova Scotia is very small. There are only three mills, and one is so small



ly uses about 5,000 cords a year.

MR. GUSHUE: Where does the export go?

MR. CREIGHTON: Largely to the United States.

MR. GUSHUE: Some to England?

MR. CREIGHTON: Yes, occasionally.

MR. STEWART: May I ask one further question  
t the potential development. You suggest, and I know  
s only hazarding an opinion, that it might be possible  
ouble it in 25 years. I presume that would not be  
ible at a uniform rate; or would it? Are there areas  
e you could begin a substantial development almost  
diately; and then do you visualize other areas pulling  
heir production later on? Is that it?

MR. CREIGHTON: Well, even in this province  
e are some areas of over-mature timber that are not  
g cut and which should be cut. You will find a land-  
r who will say, "I have a piece of timber, and there  
not been an axe in it for three generations." There  
certain areas where instead of an increment you  
ually have a loss due to over-maturity. Those areas  
d be brought into production. There has been a  
lency on the part of the pulpwood industry to high  
le for softwoods, for spruce and balsam fir; and  
e has been a certain amount of pine and hardwood  
h has gone to waste.

On the other hand, the lumber industry has  
oured the larger diameters and has left the smaller  
es, the tops and so on go to waste.

I visualize that by using all species, by  
ng tops and stumps and so on, we can immediately



crease our production by better forest management by bringing our fire barrens back into production. That way our over-all area of forest land will increase. We can improve the stands. We can improve logging methods, and when I say I believe we can double production in 25 years I think that is a conservative estimate.

THE CHAIRMAN: Thank you very much. Now call upon either Mr. Messervey or Mr. Goudge, or both.

MR. MESSERVEY: The brief prepared on logging is quite short, so with your permission I shall read it.

The future economy of Nova Scotia's mining industry will be dependent to a considerable extent on the future of coal, the production of which now amounts for 77 per cent of the province's mineral wealth which is valued at \$68 million per year.

There can no longer be any doubt that we present the plight of coal mining in Nova Scotia is not an enviable one. Through the dieselization of our major transport systems, the large inroads made by liquid fuel for domestic and industrial heating, and the use of residual fuel oil in place of bunker coal the markets for our coal have seriously declined in recent years.

It has been pointed out that industrial expansion throughout Canada is proceeding at such a rapid rate that future energy requirements are outstripping the growth of hydro power development. This has been cited as grounds for the view that new markets





will be open in central Canada a few years hence for Nova Scotia coal. There will, however, be strong competitors in the fuel and power market -- the St. Lawrence seaway, oil and gas, and in the not too distant future, atomic power.

One of the principal outlets for Nova Scotia coal, the railway market, has been lost due to the change from steam to diesel locomotives. Whether this market can be regained depends on the outcome of research now being carried out at McGill University on the possibilities of a coal-fired gas turbine locomotive.

The progress made to date on this project has been most encouraging. Many of the basic problems encountered have been overcome and some remain to be straightened out. The troublesome slag problem in the cyclone furnace is expected to be eliminated by the introduction of a special type of chain grate. The question of an efficient and satisfactory heat exchanger has now been pretty well overcome and we are hopeful that in the near future a successful coal-fired gas turbine locomotive will replace the diesel locomotives on the railways across Canada.

Because of the tremendous impact the renewal of the railway coal market would have on the economy of our coal industry, it is our considered opinion that the present research programme should be pushed vigorously to a successful conclusion and a prototype locomotive built and given actual working trials. Should such a locomotive prove feasible, it



would give a tremendous boost to our coal market. We need also a market in the United Kingdom and Europe to sustain our coal operations.

In the final analysis the choice of power, as far as the consumer is concerned, is one of cost and dependability. If coal can be produced cheaply enough to supply thermal power on a competitive cost basis with other fuels and hydro, it will develop its own markets. If it cannot be produced cheaply enough, then the future outlook for our coal mines is not very bright. Vigorous attempts are being made by the coal mine operators through mechanization and other improvements to reduce mining costs and improve the quality of the coal in order to meet the stiff competition. Continued federal subsidies on coal shipments from the province are essential to keep the industry going during its struggle to regain lost markets and reduce its mining costs.

The brightest future in the mining industry of Nova Scotia appears to be in the industrial mineral field where substantial increases in the production of these minerals over the past five and more years has been commonplace.

In the production of gypsum a steady growth has been in evidence since 1946 from whence the output has increased from 576,000 tons in that year to 3,380,669 tons in 1954, representing 80 per cent of the total Canadian production of gypsum for that year. Its current output is valued at \$5,000,000. The recent development of an extensive deposit of





gypsum near Milford has resulted in a new quarry operation designed to handle 5,000 tons per day, thus assuring a substantial increase in this year's production. Several prominent United States industrial firms are currently exploring the gypsum possibilities of the province and obtaining options on large tracts of gypsiferous land. The future prospects in this field appear very bright for some years to come.

Associated with the gypsum and generally underlying it to great depths is a practically inexhaustible supply of anhydrite. This rock is shipped out of the province in minor quantities only for use as a moisture retainer on the peanut plantations in the southern United States. The anhydrite is used in England in the manufacture of sulphuric acid. Some research has been carried out in the province on the use of this material in the manufacture of plasters and cement but without practical results. Because of the tremendous quantity of high quality anhydrite available in the province its potential as a future economic industrial mineral should not be overlooked. In fact, a research programme into its possibilities in the industrial field should be instituted.

At Walton, Nova Scotia possesses the largest known single deposit of barite in the world. The product of this operation is used principally in the oil well drilling trade and is shipped to the Caribbean and Venezuelan areas. The output has risen from 74,000 tons in 1950 to 247,000 tons in 1953, an increase of 234 per cent. A new shaft is now being



sunk on the property and production next year will begin from underground in addition to the open pit. A steady production of one-quarter million tons of barite annually is forecast for the next ten years at least.

Salt production last year had a record output of 147,457 tons, an increase of 45,000 tons over the 1950 figure. Salt is currently being produced in rock salt form by underground mining at Malagash and by the brining process at Nappan. The product is marketed for fishery, table, dairy and chemical use as well as for highway ice control. A new rock salt mine is being opened this year at Pugwash and the future for this industry appears assured for many years to come.

In the ceramic field the production of brick, building and drain tile, and sewer pipe has remained relatively stable for many years. The use of tile in the building trade has dropped off considerably in recent years but has been replaced by an increased use of brick. A new type of light-weight brick is presently finding considerable favour in this field. The value of the ceramic industry for 1954 was placed at \$1,083,000, and a gradual increase in production is anticipated for some years ahead.

Other mineral resources such as granite, sandstone, silica, limestone, dolomite and quartzite are also being utilized annually for industrial purposes but not on the scale of the previously mentioned minerals. These resources are in plentiful supply, however, and represent a potential source for additional





production should the demand arise. The distance of Nova Scotia from the main markets in central and eastern Canada has a considerable bearing on the output from many of our industrial mineral quarries. The production must be geared for the most part to local markets.

During 1953 the Department of Mines instituted the method of ~~closures~~ for mineral investigation whereby extensive tracts of ground were closed to application for licence or lease on behalf of prominent mining companies which were prepared to carry out large scale mineral surveys. Approximately 16,000 square miles of territory have been investigated under this system and of this area about 14,000 square miles were surveyed from the air by means of the airborne magnetometer and scintillation counter. A total of \$600,000 was expended on this survey alone.

There remains 10,000 square miles of the province to be covered by this aerial survey. Because of the potential value of the information gained by this work it is strongly suggested that the remaining area be aerielly surveyed under government sponsorship.

Following the preparation of maps the anomalous areas were checked on the ground by geological surveys, diamond drilling and actual underground development. Other areas within the closures were checked by soil and water sampling and general geological reconnaissance. One very prominent mining company which recently entered the picture signified its intention to spend up to \$700,000 in the province over a three-year period in a search for copper ore. It has already made a





substantial beginning on the project. Four well known mining companies, in addition to other syndicates and individuals, are currently in the field and actively engaged in exploratory work for base metals, principally those of copper, lead and zinc. It is estimated that upwards of \$1million has been expended to date on this intensive search for base metals. At the present time one base metal mine in Richmond county is producing \$3 million worth of copper, lead and zinc concentrates annually.

A new type of aerial surveying known as the electro-magnetic, or EM, method is just being adopted in Canada. One of the mining companies has already arranged to have its holdings resurveyed by this new method. I might say that since this was written that survey has been completed, and I had word yesterday that another one near Halifax has also been flown.

The rapid expansion of the ceramic industry on this continent has accentuated the growing shortage of high-potash feldspar in the United States for use in pottery, enamel, glass and soaps. They are now looking to Canada to supply that shortage. The pegmatitic phases of the Devonian granite in Nova Scotia, whose constituents are orthoclase (potash) feldspar quartz and biotite mica, offer the source for the feldspar and iron-free quartz for glass manufacture if a commercial separation process can be developed to separate the constituents from each other. Such processing techniques would not exclude the recovery of



any heavy minerals that may be present in the pegma-  
site.

The tremendous growth of the automobile industry, the evolution of air travel, the increased use of mechanical equipment on the farm, dieselization of the railroads, the development of mechanized military forces, the change-over from coal to oil for power generation and bunkering ships, and the expanding use of oil for commercial and home heating are examples of the shift to liquid fuels.

The oil shale branch of the petroleum division of the United States Bureau of Mines predicts that the consumption of liquid fuels in the United States will be about  $2\frac{1}{2}$  billion barrels in 1955 and increase at the rate of 1 billion barrels every five-year period until 1970 when the annual consumption will be about 6 billion barrels. Production from the oil shales of Colorado, Utah and Wyoming will begin about 1958 and increase to 2 billion barrels a year by 1970.

While the cost of making liquid fuels from oil shale is now higher than the cost from petroleum, the cost differential between the two sources will not always be static. It will shift in favour of the oil shale and synthetic sources in the not too distant future because the cost of petroleum exploration is increasing rapidly. The deposits of oil shale in Pictou county may therefore be a future potential source of liquid fuel and should be systematically explored and tested.





There is no doubt but that marine growth and life was trapped with the sediments of the Horton age in the northern sections of Cumberland, Colchester, Pictou and Antigonish counties, also in Hants and Inverness counties, because petroleum and natural gas have been found in rocks of the same age in southern New Brunswick, where they occur at a much higher elevation stratigraphically than in Nova Scotia.

Intensive, systematic studies using all of the geophysical methods available today to direct test drilling has not been carried out yet so that the potential possibility of petroleum being present has been neither proved nor disproved to date.

Although there are no known commercial deposits of manganese ores in the province, extensive reserves of low-grade materials are known, and with technological progress could conceivably be utilized as a source of manganese oxides or ferromanganese. The two sources of such raw material in the province are: (1) basic manganese-bearing open hearth slags accumulated, and steadily accumulating, at the dumps of the Dosco Steel plant at Sydney, and (2) deposits of manganese-rich silicates occurring in the Halifax slates along the eastern shore.

In summarizing it may be said that:

- (a) the coal mining industry is waging a strong battle for survival in a stiffly competitive fuel market and that the success of its efforts will depend upon its ability to hold its local and Quebec markets and to obtain



new markets in the United Kingdom and Europe;  
and that

b) the industrial mineral industry is currently expanding fast in some of its fields and in general has a bright outlook for future development; and that

c) a very intensive search is being conducted for base metals on a scale never before attempted in the province. At the present stage of development the results of this investigation cannot be properly assessed, but encouraging signs for future operation in this field are indicated; and that

(d) the province possesses large mineral resources which are presently underdeveloped and thus form a potential for future mining operations.

THE CHAIRMAN: Thank you very much.

MR. STEWART: I notice that on page 22 you are recommending that the remaining areas be aerially surveyed under government sponsorship. Is it your suggestion that surveys of that nature, that is aerial reconnaissance surveys, should be done under government sponsorship and that then the results should be turned over for more intensive study by private companies? Is this a general pattern which you favour?

MR. MESSERVEY: No. If the remaining area were surveyed by the airborne magnetometer and scintillation counter, and possibly some areas also by the EM method from the air, the results of those surveys would





be made available to the public as well as the geological survey of Canada to aid in their geological studies and mapping; but in that case a closure of large areas to individuals or companies would be justified. Areas would be given out under licence to search; prospecting licences.

MR. STEWART: What are the terms of the closures? What kind of terminology is involved?

MR. MESSERVEY: The closures that have been made so far were made for the purpose of carrying out this airborne magnetometer survey. Before the closure was finalized, the company had to submit a copy of the signed contract with the company who were going to fly the area. They also had to agree, of course, to do that work and had to be properly financed to do it within the year or two of the period of closure, and also have ample additional finances to carry on any further exploration work in the area by geological reconnaissance or by diamond drilling, or by soil sampling, or geophysical ground methods, or a combination of them all.

MR. STEWART: Where companies are engaged in exploratory work, is it generally the case that they are interested in specific resources, rather than resources generally?

MR. MESSERVEY: So far, of course, the principal search has been for base metals, or for the metallic minerals. But another condition of the closure was that if the company carried out its work and filed a complete set of plans and reports and data





obtained, they would be given the first opportunity to select areas for prospecting licences or for lease.

MR. GRAUER: Are the possibilities for reducing costs in the coal mining industry considered good?

MR. MESSERVEY: That is the information we have been given; that when mechanization has been fully completed the costs of coal production will be lowered from the present costs.

MR. GRAUER: Have you any idea of the order of reduction that might be made, on a percentage basis?

MR. MESSERVEY: No, I have not that.

MR. GRAUER: I believe you are shipping some coal to Great Britain and Europe at the present time, are you not?

MR. MESSERVEY: There was a 100,000 ton shipment made this year, and they have orders for another 150,000 tons, I think.

MR. GRAUER: How do the prospects look in those markets? Are they considered as having considerable scope, or do you think they are quite negligible?

MR. MESSERVEY: The first order, of course, was a trial order. Apparently it was satisfactory because they have given us an additional order for another 150,000 tons, to be delivered before next spring.

MR. GRAUER: They are quite small to date, then?

MR. MESSERVEY: Yes.



MR. GRAUER: Apparently a great deal of this charting of the mineral resources has been done. Are you getting some good, practical results? That is, have there been many mining operations actually brought into being?

MR. MESSERVEY: It was just started a little over two years ago. The first company that started on it in the northern part of Cape Breton island have continued their exploration work and carried it from diamond drilling on the surface and soil sampling to underground exploration and drilling. They have driven into the face of the mountain. Apparently they are still getting encouraging results.

MR. GUSHUE: Does the federal subsidy on coal shipments apply only to shipments within Canada, or would it apply to the orders to the United Kingdom?

MR. MESSERVEY: They are paying on the coal orders being shipped to the United Kingdom.

THE CHAIRMAN: Thank you very much, Mr. Messervey. I would suggest that we take a five minute break now, then ask Mr. Taylor to talk to us about power.

--- Recess.

--- After recess.

THE CHAIRMAN: Well, gentlemen, shall we come to order? Mr. Taylor, would you like to tell us about power in this province?

MR. TAYLOR: Mr. Chairman and gentlemen, yesterday afternoon Mr. Harrington, of the Nova Scotia Light and Power Company, gave quite a complete review of





the power industry in the province, and I think we in the Nova Scotia Power Commission agree pretty much with the views he expressed.

If I might do as the others have done, my brief here is relatively short and I should like to read it.

The Nova Scotia Power Commission, a publicly owned company, is one of a number of electric utilities supplying power in the province. The power commission at the present time is generating at the rate of about 450,000,000 kilowatt hours per annum or, roughly, one-third of the province's total generation. The installed capacity of the commission is about 125,000 kilowatts with a peak system demand of approximately 100,000 kilowatts.

Estimates have recently been made on what the power commission may spend during the next five years in order to keep abreast of the estimated requirements. The following is a summary of these estimates:

Production (power plant development)	\$22,000,000
Transmission and substations	5,000,000
Distribution	2,500,000
General property	<u>500,000</u>
	<u>\$30,000,000</u>

Approximately one-third of this \$30,000,000 is represented by the power supply facilities for two pulp or paper mills. Of course it is not known as yet what will be the ultimate decision regarding these mills, but as there exists a possibility that one or both might



be built, a figure has been estimated to cover the power production facilities.

It should be realized that this \$30,000,000 is a large sum of money and the financing of same may create problems which the province will have to face as and when these funds are required. It should be stressed, I think, that the addition of such a large amount of money to the power commission's borrowings will add appreciably to the over-all debt of the province.

As to general planning it is visualized that there will be in the not too distant future a rather solidly connected electric power grid throughout our province and also connected with New Brunswick. It is felt that this will eventually give a high degree of reliability of service.

On the subject of generating capacity there is little doubt but that, from an engineering point of view, there can be made available an almost unlimited amount of electric energy through our coal resources. From the economic point of view, however, the trend in the cost of coal has been increasing in recent years, and a severe competitive condition already exists with oil for thermal plants. Also, rapid advances are being made on nuclear reactors with the experts indicating that in a relatively short time, say five to ten years, nuclear power will be available as an economic replacement for coal and other forms of thermal energy, in the power production field. Thus, it is not altogether definite that our future power plants will be able to





justify the use of coal as compared with other fuels. It is, of course, our hope that the cost of coal will be such in the future that full utilization can be made of our own fuel resources.

From the small consumer point of view, we feel it can be shown that their present day costs of electric energy are reasonable and comparable with adjacent areas in New England and the majority of the provinces of Canada. Also, it can be shown that the cost to the small commercial or industrial establishments is therefore not a deterrent to the development of the smaller types of industry.

For larger industries, such as pulp and paper and certain phases of the mining industry, the cost of power may be slightly higher than in some of the more favoured large hydro power areas, such as Quebec, and such low fuel cost areas. I might add other low cost fuel areas in western Canada, where there is natural gas and some parts further down south in the United States. We feel, however, that as time goes on, and with the remaining hydro resources being rapidly used up, that there will be a levelling-off in the regional advantages as to the price of power, and that in the future Nova Scotia, with its large coal resources, and the probable utilization of nuclear energy, should be in a position to produce large blocks of power on a comparable basis with larger industrial areas.

We feel that today there is a reasonable supply of electric power service supplied to the province as a whole. I might add here that we feel that





there is about a 95 per cent coverage of the homes in Nova Scotia; that the existing costs to the public are certainly no deterrent to the general development of industry, but that every effort should be made to reduce the costs; that it should be made known publicly that the existing utilities are in a position to supply additional customers with any reasonable amounts of electric power.

If there are any questions I would be glad to try to answer them.

THE CHAIRMAN: We asked a lot of questions of Mr. Harrington. I think we are reasonably clear on the picture. Thank you very much.

MR. LUSSIER: There is one point. You say that the addition of such a large amount of money to the power commission borrowings will add appreciably to the over-all debt of the province. Is it not a self-supporting debt that you have there? Do you not confuse the debt of the commission with the debt of the province?

MR. TAYLOR: The power commission receives its money for capital additions by loans from the province. The province does the financing. If, for instance, we need an additional \$5,000,000 for some development, the province loans the money to the commission. Does that answer the question?

MR. LUSSIER: Yes, thank you.

MR. GUSHUE: I take it they are not interest-free loans?

MR. TAYLOR: Not quite.

THE CHAIRMAN: Now do we hear from Mr.



Bigelow or Miss Linkletter?

MR. BIGELOW: With your permission I would ask Miss Linkletter to do the three sections covering the economy of Nova Scotia, population, and gaps in provincial statistics.

MISS LINKLETTER: Figures corresponding to the gross national product for Canada as set out in the national accounts are not available on a provincial basis. Consequently the size of the provincial economy can only be estimated.

Estimates of gross provincial product for Nova Scotia covering the years 1936 to 1952 have been made. An extract from the study containing these estimates appears as appendix A in this submission. According to these figures our gross provincial product increased from \$203.2 millions in 1939 to \$663.1 millions in 1952, an increase of \$459.9 millions. When calculated in constant dollars, gross provincial product increased, as shown above, from \$203.2 millions to \$332.2 millions in 1952, an increase of \$129 millions.

According to these statistics and calculations, gross provincial product had increased 211.6 per cent in terms of current dollars and 63.5 per cent in constant dollars. Comparing this with changes in Canada's gross national product we find the latter had increased 303.2 per cent in terms of current dollars and 104 per cent in terms of constant dollars. That is, the economic achievement of all Canada had expanded at a rate 1.6 times the rate of increase for Nova Scotia. Thus gross provincial product of Nova Scotia,





expressed as a per cent of gross national product, declined from 3.56 per cent in 1939 to 2.88 per cent in 1952 (current dollars) or from 3.59 per cent to 2.88 per cent (constant dollars).

It is interesting to compare population and personal income figures with the gross provincial product estimates. Comparing the years 1941 and 1951, the population of Nova Scotia, expressed as a percentage of the Canadian total, decreased .43 per cent whereas personal income decreased .63 per cent and gross provincial product decreased .65 per cent. This is further evidence of lagging economic growth in Nova Scotia compared with the rest of Canada.

Further information on Nova Scotia's position and the composition of the provincial economy is included in appendix B, which is an extract from a report on industrial development in Nova Scotia prepared for the Department of Trade and Industry. As a preliminary to a delineation of industries which offer opportunities for development in Nova Scotia, an industrial profile of the province was prepared primarily to serve as a working tool. The analysis which formed part of the aforementioned report is the basis for the following comments.

In the memorandum on the position and composition of the provincial economy, the relative position of Nova Scotia and the Atlantic provinces compared with that of Canada as a whole was examined. While Nova Scotia's economic base has grown steadily, this growth has not kept pace with that of the Canadian



economy as a whole. This was demonstrated on the basis of population, labour force and production trends.

Analysis of the industrial composition of the economy showed Nova Scotia's relatively greater dependence on the primary industries -- mining, fishing, logging -- with less employment proportionately in manufacturing, as well as in agricultural occupations. Employment is relatively higher in construction, transportation and the service occupations than for Canada as a whole. The general effect is greater susceptibility to both seasonal and cyclical changes.

Annual earnings per employed worker are lower in Nova Scotia than in Canada as a whole, and the differential is highest in manufacturing. There is a smaller proportion of wage earners in industries with above average earnings, notably manufacturing, and a greater proportion in industries with below average earnings, chiefly fishing, forestry, and construction; further, earnings are consistently lower in Nova Scotia than in corresponding Canadian industries. The situation is attributed to a combination of factors, including less demand for labour, fewer opportunities for highly skilled workers and, in some cases, less employment per year.

The net value of production figures reveal the leading place of manufacturing in total output in Nova Scotia as well as for the whole of Canada. In the two decades from 1930 to 1950 the share of the economy held by manufacturing increased, but less so in Nova Scotia. Construction advanced more in net value of output





in this province.

I would like now to turn to page 31 of the brief and deal with related topics. The first is a brief section on population.

With reference to population growth and distribution, we have not attempted any forecast. It seemed futile to make estimates of the population increase we might expect on the basis of average mortality and fertility rates for a province where out-migration has been important. The reversal of the trend in the thirties when in-migration took place in contrast with the Canadian pattern, suggests the effect of relative economic opportunities in this province and elsewhere on the movement and level of population. That is, out-migration was characteristic for the decades prior to 1930. In the 1930's the trend was reversed and in-migration took place, in contrast with the Canadian pattern, when Canada lost population.

We note a trend toward urban centres in Nova Scotia. The urban population increased from 50 to 53.7 per cent of the total in the decade from 1941 to 1951. The most notable concentration is in the Halifax-Dartmouth area where defence expenditure is an important factor.

In our work we have encountered some gaps in provincial statistics, and we make brief reference to them here.

In a discussion on investment reference was made to gaps in provincial statistics. This is part of a more general problem which was illustrated by the need to make an estimate in the absence of actual





figures on the size of our economy. It might be of interest for the commission to examine this matter in order to determine whether or not the provincial breakdown of gross product and balance of payments are desirable. While it may be open to question whether data by provinces are necessary, we are convinced that information ought to be available to make possible a complete input-output study of our economy on a regional basis, specifically for the Atlantic region.

We note also the absence of certain statistics on a provincial basis which are useful for current analysis -- retail sales, factory shipments, etc. I think I should elaborate on that a little. Some statistics on retail sales and the like are published for the Atlantic region, but they are not broken down for the separate provinces. The lack of these handicaps this province in taking stock of its current position and renders more difficult the task of the businessman in assessing conditions.

MR. GRAUER: The years 1941 to 1951 are the census years. I suppose that is why they were taken.

MISS LINKLETTER: For the estimate of gross national product?

MR. GRAUER: Yes, for your introduction on page 2. I was just wondering, is it your impression that in the post-war period, growth in Nova Scotia since 1951 has been more rapid than from 1946 to 1951?

MISS LINKLETTER: I would judge so. We have not the value of production figures, but the employment index in certain fields indicates that there



was, shall we say, a lag which was most noticeable from 1946 to 1950, and subsequently there was a rise.

Mind you, there is a problem. If you are familiar with the coal employment figure, it is down roughly 10 per cent from the 1949 average, and I think accounts for the drop in the composite index of unemployment for Nova Scotia. On the other hand, that index does not take into account, as I understand it, people in the armed services and certain related employment, which would probably give the composite index a little more favourable result.

MR. STEWART: You would feel that there has been a rather more rapid development of the base in Nova Scotia in the last few years?

MISS LINKLETTER: Well, an analysis of the various manufacturing groups on a constant dollar basis from 1942 through to 1952, the last year for which the figures were available when this work was done, indicates a rather mixed pattern. The wood and paper products group, the constant dollar figures show an increase. In certain other areas like textiles there has been a drop in absolute terms on the basis of our analysis. But the over-all picture in manufacturing suggests an improvement and broadening. It is not very marked, but it is there.

MR. STEWART: It is primarily manufacturing, is it, but it is difficult to specify just where it lies?

MISS LINKLETTER: Specifically the marked increase in the last two or three years has been in the transportation equipment group, but there has been a





gradual growth in wood and paper products. I did not make a comparison there related to Canada.

MR. STEWART: No, I realize that you are thinking in absolute terms. Now, in connection with population, you referred to the out-migration which was generally characteristic over the years until the thirties, when there was in-migration. Would you not think the population statistics of the past few years would suggest that there has been little or no net out-migration?

MISS LINKLETTER: The population increase according to the last estimate, I believe, was 10 per cent since 1951. I think the population of Nova Scotia is now 683,000; no, it would be less than 10 per cent. It would be around 6 per cent, from 643,000 to 683,000. I believe the figure for Canada is somewhat higher.

MR. STEWART: Again I am not talking in relative terms, but the figures I have show that between 1951 and 1954 there was an increase of 40,000 in the population. That would not suggest an out-migration, would it?

MISS LINKLETTER: I do not know the natural increase figures well enough to make a judgment on that. I would not like to say.

MR. STEWART: In the previous decade it was about 65,000. Would that suggest an out-migration? That is from 1941 to 1951.

MISS LINKLETTER: I think there was out-migration. There is a table in the appendix which shows that. Table 2 on page 17 of appendix B shows the out-



migration from 1941 to 1951.

MR. STEWART: Is it this figure of 39.2 thousand to which you are referring?

MISS LINKLETTER: Yes. That is calculated on the basis of the difference between the increase and what the natural increase would indicate.

MR. STEWART: In the previous period the population also increased by about 65,000, but you say there was in-migration in that period?

MISS LINKLETTER: Yes, in the thirties there was in-migration, in addition to the natural increase. It has been suggested that that was part of the movement away from the urban areas and back to subsistence living, where it was possible to do that.

MR. STEWART: I do not want to press the point, but it looks to me like a very large shift from in-migration to out-migration. But I do not know enough about the natural increase to go into that.

MISS LINKLETTER: No, I am afraid I cannot go further than that.

THE CHAIRMAN: Thank you very much, Miss Linkletter. Mr. Bigelow, are you going to present the other sections?

MR. BIGELOW: Thank you, Mr. Chairman. First of all I shall deal with manufacturing.

Some characteristics of the manufacturing industry in Nova Scotia are discussed in section C





of appendix B. Statistical comparisons were made with the corresponding industry in Canada as a whole using 1950 figures and reference will be made to the main points brought out.

Manufacturing in Nova Scotia is rather concentrated in a comparatively few industries. Moreover, the Nova Scotia share of most industries is very small at best. Only in products of petroleum and coal does Nova Scotia's share of gross value exceed the province's share of the Canadian population.

The leading manufacturing industries are characterized by an average size of establishment well below the average size in all Canadian manufacturing, although some run larger -- iron and steel, knitted goods, confectionery and butter are cases.

Wage and salary earnings per year in 1950 tended to an average level between 80 and 100 per cent of the national average. Pay tends to be lower in relation to the national average in the more local industries which are less subject to interregional competition.

In comparative value added to raw materials, Nova Scotia's manufacturing industries add one-seventh less than do all Canadian manufacturing industries. This is due in part to the higher concentration of Nova Scotia manufacturing in industries which are characterized by relatively low-value addition to raw materials. Nevertheless, most industries add less value to raw materials than do their corresponding national industries.





Additions of value to raw materials on the whole are reflected in net value of products per employee. The Nova Scotia industries that compared closely with their national counterparts were (a) local industries subject to little or no outside competition, such as bakeries; and (b) pulp and paper, and the knitted goods industry. Those more subject to outside competition are characterized generally by relatively low-average net value of products per employee compared with the same national industries.

Net margins in Nova Scotia manufacturing industries tend to be higher than national industry averages in the more local non-competitive industries. With one or two exceptions, net margins tend to be lower than nationally in industries subject to outside competition.

The analysis suggests that certain industries in Nova Scotia appear to be advantageously located in regard to their ability and incentive to compete nationally. A critical factor in the success of some of these is their location relative to a Nova Scotia raw material. There are also successful industries which do not need to locate close to their raw materials or their market. In this second group, labour is an important factor and the value of their products is high relative to weight. In addition, market oriented industries of a relatively small scale appear to have as great if not greater ability and incentive to compete in Nova Scotia than have their counterparts in other parts of Canada.

The evidence of existing industries indicates that raw material oriented or labour oriented industries either for which transportation costs are



not an important factor or which can utilize water transport may find location in Nova Scotia attractive. In addition, if the size of the Nova Scotia or the maritime market will support their operations, market-oriented industries may find Nova Scotia a better than average Canadian location.

Certain problems emerge from this analysis of the secondary industries. Distance from the more populous areas of Canada involves transportation costs which in many instances exclude products of maritime manufacture from the national market. Where economies of scale are important this is an effective deterrent to location in this area.

The tariff structure of the United States is such that rates rise steeply with the degree of manufacture. The advantage of proximity to the New England market is realized only on products which can get over the tariff barrier.

The size of the provincial or regional market limits the range of products which can be produced at a profit. However, with growth in other sectors of the economy of Nova Scotia and the other Atlantic provinces this limitation will not remain static.

It is of interest to note the trend in manufacturing production in the post-war period. Gross value has advanced to an all-time peak in 1952 and 1953 with the most rapid expansion in recent years taking place in shipbuilding and aircraft production. Increase is noted also in the wood and paper products group.





It is noteworthy that in spite of the reduction in business activity in this province as elsewhere last year, over-all employment in manufacturing is shown by the published index to have been well sustained. The strongest factor in this was the transportation equipment industries with defence expenditures supporting demand. Advances in employment were recorded also in the foods and beverages group.

Now I shall proceed to the fisheries section, in the absence of our director of fisheries.

The value of the fisheries to the province's economy has increased very substantially since 1939. The landed value in 1954 was over four times the pre-war figure. Marketed value has increased even more. Increased productivity in the primary fisheries and improved methods of handling and marketing have contributed to the advance. It can be said that, in general, the outlook for this industry is good but there are some problems.

Most of the production is exported, fresh and frozen fish mainly to the United States, and salt fish to the West Indies and South America. While United States tariff regulations now in effect permit extensive exports of fresh and frozen fish to the American market, a substantial upward revision would have drastic effects on Canadian producers.

With regard to further processing the existing tariff structure effectively excludes the entry of fish sticks which have had such wide acceptance among consumers. The duty on the frozen blocks from which the fish sticks are made varies from 1-7/8 to 2½ cents per



pound. On the processed fish the duty is 20 per cent on the uncooked and 30 per cent on the cooked fish sticks.

The marketing problems of the salt fish industry are also the hazards of international trade. Exchange regulations as in Brazil are just as prohibitive as a tariff. Relatively low per capita purchasing power makes the West Indies market very sensitive to price changes and this together with the dollar problems of some of the islands renders the whole salt fish market very vulnerable to world trade conditions.

An important problem in the processing field is the apparent future need for modernization of some Nova Scotia fish plants. This is closely related to the development of modern inspection procedures for fresh and frozen fish products now being undertaken by the federal Department of Fisheries.

The Department of Fisheries has found that, due to the perishability of fish and frozen products, the most practical means of achieving the control over quality that the fish trade is asking for is a system of in-plant inspection of goods in process and certain minimum standards for the construction and equipment of plants. Except for lobster and other fish canneries no such standards have been applied to Canadian fish plants heretofore and the result is that many fall far below the standards insisted upon in other kinds of food packing plants and below the standards observed in many other countries.





It is important to appreciate that the inspection scheme now being advanced is designed to improve sanitation and refrigeration, not for protection of health alone, but because improvements in those things are the best means of increasing the keeping time of fresh and frozen fish products. It is important to discern further that longer keeping time is necessary to provide a safe basis for government marking of inspected perishable products and that the firms producing fish that will qualify for the government marking will have earned a powerful marketing advantage.

The present situation in Nova Scotia is that we have a large number of plants, that some of these are old and sanitation and refrigeration fall below the standards that might be set for a Canada-wide inspection system. Without fairly rapid modernization parts of the Nova Scotia industry lie in danger of losing ground.

Opinions vary as to the costs involved in modernization but in some individual cases they may be expected to amount to sums that will appear serious to the operators. If they should be barred from exporting their fish, as is contemplated eventually, there could be serious consequences in some of our fishing communities.

This suggests the possibility that in the not distant future some policy of financial assistance for modernization of fish plants may have to be determined. The magnitude of the problem is likely to be such that provincial loan resources would not be adequate





to meet it. In any case, as the development goes hand in hand with the inspection programme of the Department of Fisheries, the federal government has a direct interest in it.

THE CHAIRMAN: Has the consumption of fish in other parts of Canada increased appreciably in recent years?

MR. BIGELOW: I am not the best person to ask, because I have not the figures.

MISS LINKLETTER: I have not the figures, either, but the Canadian average fish consumption has increased, and I believe the fish trade is confident that that can be increased further. Mr. Johnston of the Fisheries Council is here, and he may be able to answer that.

MR. GUSHUE: You mentioned the deterrent to fish sticks caused by the United States tariff. Have many or any of the Nova Scotia producers established processing plants in the United States to overcome that disadvantage?

MR. BIGELOW: I do not know that you can put it on that basis, of the Nova Scotia producers establishing plants, but United States producers who have plants here have cooking plants in the United States.

MR. GUSHUE: You do not know of any Nova Scotia producers who would send in their blocks and have them turned into fish sticks there?

MR. BIGELOW: Oh yes, many of them do that.

MR. GUSHUE: But have them processed in



their own plants?

MR. BIGELOW: No, I do not know of any who do that.

MR. GUSHUE: Do I take it that the feeling of your department is that the most important factor in any increase in the frozen fish trade is quality?

MR. BIGELOW: Certainly there is no question about it in the minds of our people.

MR. LUSSIER: You say that eventually some financial assistance for the modernization of fish plants may have to be made available. Have you any idea of the kind of assistance you would like? Is it by way of loans, for instance?

MR. BIGELOW: Yes, by way of loans. Our industrial loan fund is used to some extent now for the modernization of smaller plants; but if this got to be a major item and plants which today are considered fairly modern find they have to go into a much larger programme of modernization, our industrial loan fund is not sufficient in size or scope to take care of that. The amount of money required would be very much larger than our present volume.

MR. GUSHUE: Would these plants come within the scope of the industrial development bank?

MR. BIGELOW: I think the minister could answer that. He has dealt with that problem more than I have.

MR. DAUPHINEE: Yes, if they will do it in any given instance.

MR. STEWART: What has been the extent of the operations of the industrial development bank in this province?





MR. DAUPHINEE: There is a section of the brief covering that. Probably I could use the general section to point out the difficulty the province faces, in spite of its willingness to do some of these things.

New investment in Nova Scotia and the Atlantic provinces has been running at a level well below the national average. The figures published by the Department of Trade and Commerce show annual increases in the past several years for Nova Scotia and an improvement in relative position with respect to Canadian totals, but there remains a substantial differential. The difference is most marked in the business sector, as investment by governments and institutions has been running as high or higher on a per capita basis in this province.

In this connection we draw attention to the fact that no loans were made to firms in the province of Nova Scotia by the industrial development bank in the fiscal year ending September 1954. In fact, the extent of the bank's participation in the development of industry in Nova Scotia since its inception has been disappointing.

The government of this province has an industrial loan fund set up to supplement existing sources of capital for secondary industry. We have also undertaken a study of the availability of risk capital in the area. It has been suggested by some people that there is a tendency on the part of investors not to want to invest in this area; so we are having a study made, or an attempt is being made to study the



availability of risk capital, which we will be pleased to make available to the commission as soon as it is completed.

In the course of this study which is still in progress, it has become apparent that a quantitative analysis is not possible because of the lack of statistics on a provincial basis. It may be that the commission could in the course of its work improve on the available information on this matter as part of its larger study of the requirements for industrial capital.

I thought there was something in that section, and I believe there is something somewhere, pointing out that as far as this province is concerned, its ability to borrow for industrial development is very limited. Our present loan fund came from surpluses which the government developed during the war years, when the revenues were going up so much.

We have had discussions of this matter on many occasions in respect to provincial borrowings. When we exhaust these funds which are now available to us we will have to borrow; and the feeling among investors in the bond market is that only a very nominal amount of our annual borrowings could be applied to this sort of work without seriously hindering, if not hurting, our money-raising power in financial circles.

MR. GRAUER: Has there been much attempt to raise equity capital?

MR. DAUPHINEE: I was talking about the loans by the province. If the province had to borrow to make



loans for industrial purposes, that would mean they would be seriously restricted in the amount that could be allotted; whereas the federal government does not seem to suffer from the same handicap.

MR. GRAUER: But in the setting up of new industries has there been much raising of equity capital?

MR. DAUPHINEE: Oh, yes. We have a fund of \$4 million. I forget the amount that is left. I think we have something like \$1 million left.

MR. GRAUER: I was just wondering if local risk capital seemed to be willing to take a chance in these new industries, or whether they had the opportunity?

MR. DAUPHINEE: Well, these are loans. Our policy is really to make them loans which are covered by securities. This represents only a portion of the total investment. The policy of the board is to try not to loan over 50 per cent of plant and equipment, so when we say money has been loaned, there has been equity capital to the extent of the balance. There have been one or two special cases where loans have been made that would exceed that limit, but that is the general policy of the government and so indicated to the industrial loan board who work within that framework.

MR. GUSHUE: Do I gather that there have been approaches to the industrial development bank for loans? I am thinking of the fishing industry, and you give us the impression that the result has been





disappointing. I was wondering whether there were any technical difficulties, or just what was the situation.

MR. DAUPHINEE: Of course you understand the position of the department. We do not know what applications have been made.

THE CHAIRMAN: All you know is that there have not been any loans.

MR. DAUPHINEE: That is right.

MR. GUSHUE: You do not know how many applications have failed, or anything like that?

MR. DAUPHINEE: Oh, no. I think there would be a presumption that there have been applications, because we do get some of them ourselves.

MR. STEWART: Do you get many applications under your own loan plan?

MR. DAUPHINEE: Perhaps Mr. Bigelow can answer that. I think last year we made about fifteen industrial loans. We also make loans for tourist development, and there were about fifteen for that purpose. As near as I can recall we rejected a high percentage. These are not rejected by the board; perhaps it would be better to say we have had requests for perhaps 100 loans; but when you point out the amount of assistance you are offering, obviously some of them are out before they ever reach the application stage.

MR. BIGELOW: There were 58 formal applications, I believe.

THE CHAIRMAN: Who would you suggest should present the section on transportation, or do you wish that presented separately?



MR. DAUPHINEE: I realize, Mr. Chairman, that the Atlantic transportation commission is the arm of various governments that deals with matters of transportation, but we do have a section on that subject and perhaps Mr. Bigelow would deal with it.

MR. BIGELOW: Perhaps the most important single obstacle to industrial development in Nova Scotia is the high cost of transportation. The commission's terms of reference do not specify transportation as a field of investigation but we anticipate that as one of the cornerstones of Canada's development it will be regarded as a major field of study. Certainly in this province we consider it of overriding importance.

Big developments are taking place in this field now which may have a very great effect on the economy of the country. One project, of national proportions, is the St. Lawrence seaway. Preliminary study of its possible consequences for Nova Scotia has raised the possibility of more adverse effects than benefits in terms of particular industries. While these findings are not necessarily indicative of the net effect on the province in the long run, it is our conviction that efforts should be made not only to keep abreast of resulting developments but as far as possible to foresee them. We further feel that, as the seaway is a federal project, resources of the federal government should be directed to a continuing study of its effects. Only by constant vigilance and co-operative effort can we be assured that the benefits of the seaway will be spread over the widest possible area.





A related matter in the field of transportation is now the subject of inquiry by another royal commission, namely, Canada's coasting trade. The question of whether or not United Kingdom ships will continue to participate in our coasting trade is of very great moment to Nova Scotia, as it is to the other Atlantic provinces. The importance of low-cost water transportation is of particular importance in this area not only in itself, but also in its relation to other forms of transportation, and its consequent effect on railway freight rates.

We would refer also the Maritime Freight Rates Act. Such radical changes have taken place since its enactment in 1926 that consideration should be given as to its current effects. We suggest that a study should be made to determine whether the benefits intended under this legislation are being received under present day conditions.

THE CHAIRMAN: Do you wish to read the concluding page?

MR. DAUPHINEE: I am very pleased that you are going on to the bitter end.

MR. BIGELOW: To sum up, we find an economy characterized by stability rather than spectacular change. In manufacturing, variations in growth in the post-war period among the important industrial groups are apparent. All have advanced markedly in current dollar value but on a constant dollar basis the pattern is not uniform. The fisheries and forest industries show growth and promise of expansion and



there is a potential for development in agriculture. The biggest single problem is coal but other aspects of the mining industry are promising.

The dynamics of growth are mainly foreign markets for natural products and products from raw material<sup>ly</sup> based industries, and defence expenditure.

Certain problems are common to most of the important industries. For those heavily dependent on foreign trade, tariff and exchange are actual or potential obstacles to expansion. For industries serving the national market, distance from the main population centres involves high transportation costs.

In some parts of the economy, financial requirements for development have been outlined. These cut across the various industrial segments, agriculture, fisheries, manufacturing, and power. Their total magnitude suggests a considerable burden for public funds that can be made available for development by the province. It is doubtful that any large percentage of our public borrowings could be devoted to this purpose without adversely affecting the acceptance of our securities in the money markets of the world. Under these circumstances some enlargement of federal financial support for development would appear desirable and necessary.

Mr. Chairman, we do not say through existing agencies or new agencies; but there is a serious development problem with which we are very much concerned.

THE CHAIRMAN: Thank you very much, Mr.



Dauphinee. I think we are all very grateful to you and to your colleagues in the government for this very comprehensive presentation. It seems to me that the way in which you chose to present it was particularly effective, in having the officials who are familiar with various aspects of the brief present those aspects and answer questions.

I would like to take this opportunity also, if I may, to thank the government of Nova Scotia for granting leave of absence to Dr. Robert Howland, economic adviser to the government of Nova Scotia, to permit him to serve with this commission. We are particularly pleased to have him and we are grateful to you for making that possible.

Now I suggest that we have a break of two or three minutes and then call on Mr. Sandford to present the brief of the Nova Scotia Federation of Agriculture.

--- Recess.

--- After recess.

THE CHAIRMAN: Well, ladies and gentlemen, let us proceed. Is Mr. Sandford here?

MR. SANDFORD: Mr. Chairman, first of all I would like to say that we in the Federation of Agriculture are very pleased to have an opportunity to discuss this subject of the economic future of our industry with your group. Your work is certainly very interesting and also very important. It will take a great deal of time and discussion in the weeks to come, and we believe it will be very important indeed to our





country. We are very pleased that you were able to work us in at this morning's meeting, also. That suits us very well, as we have another meeting this afternoon.

We have listened with a great deal of interest to the briefs already presented, and you will notice, now that we have reached our brief, that there is a great similarity between it and the brief on agriculture which was submitted by the provincial government. That just goes to show a bit more how closely we work with our government officials.

I might just tell you that our Federation of Agriculture is made up of groups of producers from all the counties and all the areas of our province of Nova Scotia. We are speaking for the large majority of our producers, nearly all of our producers, and trying to present their views at a time like this in everything we do.

Now I suppose you would like me to read this, as you probably have not had time to read it yourselves.

THE CHAIRMAN: We have read it, but read it, by all means.

MR. SANDFORD: The task involved in a submission of this nature is not unlike Washington Irving's creation of the farmer, Rip Van Winkle, who on awakening was astonished at the outgrowth of change which had taken place in his environment.

With a certain amount of imagination and spurred by a desire for a change for the better one



could paint a glowing picture of agriculture in 1975. However, the realist, that is the farmer or agricultural worker close to the farmer, must of necessity take into consideration certain economic and social factors which have an intimate bearing on agriculture and view these factors in the light of their present setting and also in the setting that is more conducive to a progressive agriculture.

While the principal structure of this brief is chiefly of a regional nature, nevertheless the situation must also be viewed as an integral part of the nation's agriculture. The appraisal of the situation as we see it may revolve around five main points:

- (1) Present situation
- (2) Results of situation on farm  
living
- (3) Necessary changes
- (4) How these changes may be brought  
about
- (5) Prospects of agriculture on the  
basis of these suggested changes.

According to the 1951 census, Nova Scotia has 23,000 farms, of which 30 per cent are small establishments associated with fishing and lumbering, and which cannot sensibly be classed as a part of the agricultural plant. Again, in Nova Scotia, 54 per cent of the farms have less than 100 acres and 89 per cent have less than 200 acres. These comparatively small farms have nothing to offer to the manager with education





and enterprise and nothing for the worker of skill and ability.

Much of the farm problem in Nova Scotia is found in the operation of a production programme on small-scale farms. At one time these small farms, combined with lumbering and fishing, provided a satisfactory standard of living because much of the food and fibre came from the farm, and the need for large consistent cash outlays was small. The aims of modern rural society are not compatible with such a production programme, for the average farm family today obtains only a portion of their food directly from the farm and requires a consistent income to meet the cash outlays for machinery, automobiles, electricity, taxes and other facilities and services contributing to progressive farming and a reasonable standard of living. This small-scale agriculture is quite evident on 13,000 farms producing cream for butter production. Low returns for butterfat coupled with a limited production do not in most cases provide the required income for farm families. Some areas and some farms where there is a substantial backlog of capital in the farm by way of good buildings and equipment and who associate cream production with other lines may show an apparent prosperity. These are an exception rather than the rule, and from a business standpoint depreciation and replacement reserves are not being set aside from yearly income.

Yet another problem and one of particular concern to western Nova Scotia is that of the apple industry involving some 2,000 farms. This industry was



well established before the turn of the century based mainly on the export of fruit and fruit products to Great Britain. Trade and currency difficulties, the result of two world wars, have deprived the apple producers of this traditional market. Serious efforts have been made to make production conform to the markets available, but the social problem of the transition from an industry that has been established for half a century to some new line of production is one that should be recognized by anyone as difficult. Between 1939 and 1951, 500 farms went out of the apple business.

Another commodity, potatoes, has also felt the impact of currency difficulties, and does not have the advantage of traditional markets.

The result of this situation means that a large percentage of the farms are not producing sufficient income to give the farm operator and his family a reasonable standard of living; the farm unit is not expanding as an industry; some of the best of our people are moving away from the farm; and almost immediately they leave the farm they leave the province for centralized industry. The general impact must be considered as a declining industry in the economy of the province as a whole.

As necessary changes we suggest a larger farm unit, and supplementation of a large block of cream farms with beef production and the gradual decrease of cream farms. There is a need for stability of marketing for export products, so that production





can be geared to the market. We see possibilities of expansion in certain fruits and vegetable production for processing, and we see the need for a general overhauling of the livestock industry -- hogs, sheep, poultry, and more especially beef.

These changes in agriculture can be brought about in two ways. They can come from within the industry at the instance of the farmers themselves. This would be a slow change which if stretched over a long period would give competing regions the opportunity to further the advantage they have already seized. They could be carried through by government like many agricultural reforms in Europe were carried through. The most plausible means, however, is a combination of government and farmers where farmers working through their federations team up with government and work out and implement various programmes.

I was going to add one bit that is not in the brief, and that is a bit more on marketing and self-help. We in our federation this year have been trying to establish one project in connection with helping ourselves; that is in the marketing of our meat products, with the establishment of the abattoir which was mentioned by Mr. Walsh. We believe we can help ourselves a good deal by doing this. We know that marketing is our most important single project in the business of agriculture; that it is useless to produce unless we are doing something to look after our markets, supplying the available markets and promoting any new markets we can line up.





We are financing this abattoir business through our producers all over the province, and we are finding the interest of our producers very good. They realize they must do more and more to help themselves if they want to make the business of farming satisfactory; if they want to make the farm a good place to live, and if they want to make a worth while contribution to the economy of the nation as a whole.

We feel that this is a project which can mean a very great deal to us; and when we can bring this project to a satisfactory conclusion we think there is a great deal more we can do for ourselves by working for ourselves with our governments. We do not believe in asking for everything to be given to us. We believe we must do, and are planning to do, a great deal of work for ourselves, with the help of other interests throughout the province.

It will be the duty of government to make policies that will accelerate the flow of production facilities -- land, labour, and capital -- into the lines of production that offer the greatest return and the greatest possibility of expansion, and at the same time accelerate the flow of production factors out of lines that are not remunerative. It will be the duty of farmers working through their farm organizations to specify such programmes and through their facilities enable farmers to understand the potentialities that lie in such programmes. It will also be their responsibility to further producer-owned marketing organizations in order to gain for the producer what is known as the high



net dollar.

The means by which these changes may be brought about would be through:

- (1) Suitable credit arrangements for farm expansion.
- (2) Industrial loans for processing plants.
- (3) Extension programme devised so as to further the lines of production which we would consider favourable.
- (4) Continuation and extension of marshland reclamation and utilization, to include fresh water control. That has been a very good policy. It is nearing its conclusion now, but we feel that it should and must go on and be used in connection with fresh water as well as with salt water, as has been the case in the past.
- (5) Aggressive move on the part of government and farm organizations in the tariff field to gain for agriculture in this region the necessary set-up to maintain its trading industry.
- (6) Continuation of the national feed grain policy.

We suggest that the prospects for agriculture on this basis will mean less farmers but more prosperous and efficient farm units. It will draw to the land people who are now drawn into industry, the manager or operator





with skill and education. It will also help farmers to make better use of their land and maintain their soil fertility, and be able to leave their lands when they are through with them in as good shape as they were found, if not better. Too often in the past our farmers have been what we call mining the soil, taking out much more than they have been putting back in. They have been forced into that through economic circumstances, but it leaves the land so it is not in condition to produce when taken over by a future operator.

Our rural communities will be in a stronger position to make a greater contribution to our provincial economy and fit into the over-all pattern to maintain a balance that is necessary to keep Canada a leading nation.

THE CHAIRMAN: We will mark this brief, then, as Exhibit 5.

MR. SANDFORD: Are there any particular questions?

MR. STEWART: Has there been any change in land values in the province recently?

MR. SANDFORD: As far as land values in the province go, they vary very greatly because of location. For the ones located nearer the towns and nearer the paved highways, the value is quite good; but in the back areas, where much of our best land is located, the values are not too great. I do not think the values have changed very greatly in the last number of years.

MR. STEWART: What is a quite good value for well located land?

MR. SANDFORD: That is quite a question,



because actually some of our lands in the back areas can be had for a very few dollars an acre, yet our lands near our good centres are well-worked farms with very good values. I do not think I could give you an accurate figure, because they vary so much, but it is fairly near average with our other maritime averages which are in much the same position. Our land values are far below the Ontario values. Farm prices here are much below prices in those areas.

That was brought home to us particularly this year by some of our new Dutch settlers. They went to Ontario and found the land values much too high for them. So they came back to locate in this province and they have located in different areas in Nova Scotia.

MR. STEWART: What has been happening to land values in the valley?

MR. SANDFORD: Actually in many cases there land values have dropped. Their orchards used to be quite valuable per acre. Today much of that land has been changed into grassland and vegetable lands, so it depends on what the land is used for. If it is used as grassland it will not be as valuable as if it is used as a market garden or an orchard. I think on the average land values in these areas in many cases have dropped, because their type of farming has changed somewhat.

MR. STEWART: You placed quite a lot of emphasis on flexibility, on adjustment to change, on getting into more profitable lines and out of those which are unprofitable. I know this is a big subject,





but are there any comments you would like to make as a farmer on expansion and changes?

MR. SANDFORD: We feel that farming in this province today, with our changed conditions, our labour situation and the change in mechanization of our farms, must change so that on a majority of our farms we will have a different set-up. We feel we must change almost entirely to larger units in most cases, and also in many cases we must become much more intensified in our farming. Today farming has become much more a specialized type of work than it used to be. We feel that the acreage will depend on the type of farming, and our people will have to adjust themselves to whatever line they are trying to go into, and try to do a specialized type of farming, because there is no longer any room for haphazard methods. They must be reasonably well trained and be prepared and capable of doing a good job, because the time has gone when just anyone can make a living in that work.

MR. STEWART: At the bottom of page 3 of your brief you say:

"It will be the duty of farmers working through their farm organizations to specify such programmes and through their facilities enable farmers to understand the potentialities that lie in such programmes."

How exactly do you see this working out with the government extension services?

MR. SANDFORD: Well, through our men,





through our farm people throughout the province we get the opinions of different ones as to what they think can be and should be done. We also work very, very closely with our people in the Department of Agriculture, and they try to consider what will be the changes for the best. By talking things over with our government people sometimes some of our people, who think certain changes should be made, find they are perhaps not the soundest things to do. We find that working through and with them, they can keep us on a sound basis, if we will make use of the information available.

MR. GRAUER: Is agriculture carried on on a part-time basis to any extent, in conjunction with logging or fishing, for example?

MR. SANDFORD: There is still quite a lot of that. As I mentioned in the brief, there was a very large percentage of our farms in that class. Today the percentage is not nearly so large, but there are still quite a number. Some of them have other operations, and some of our farmers work out part-time in different lines of industry. Often that is because with these small units it is just impossible to bring in enough gross income to show enough profit to make a living. That has not been too satisfactory for any of them, because they are neither farmers nor industrial workers.

MR. GRAUER: Their total income does not work out too high?

MR. SANDFORD: No.

MR. GRAUER: You mention dairy products. I



gather there has been an over-supply?

MR. SANDFORD: That is right. The butterfat producers particularly are in a very unhappy situation, because under present conditions it is practically an impossibility to make a living and keep their farms and buildings in shape. We feel that our producers must change with the situation, with the changing conditions, and get into other lines.

That was why I mentioned the abattoir business. We feel there is a future as far as beef production in this province goes, and we in the federation, through the government officials, are trying to promote these changes and see to it that when they do change they do it properly and make a business of it, rather than consider it just a job.

MR. GRAUER: There is no butterfat being shipped in? It is just lack of markets?

MR. SANDFORD: Yes. There has not been any come in this last little while, but consumption is just not keeping up with production.

MR. GUSHUE: In connection with this subject of assistance, Dr. Walsh suggested that the Canadian farm loan board might very well work more closely with the Nova Scotia land settlement board. I take it from your remarks that you would think it should be a trio instead of a duo?

MR. SANDFORD: Well, as far as the financial part goes, we believe exactly as he spoke on that, that the land settlement board is doing a good job as far as it goes, but it just does not and cannot go far enough





at the present time because with the expansion programme we feel is necessary, it is going to take a lot more financing than it has done in the past, and we are just not able to borrow enough to do it for most of our producers at the present time. We feel that in order to make these changes our men must have more credit facilities available. It takes a bit of courage for our people to go into debt to the extent they must today, but there does not appear to be any other way out.

MR. GUSHUE: And you feel the federation would be useful in a picture of that kind?

MR. SANDFORD: Well, we are very happy to work with the other two groups at any time, to work out a satisfactory arrangement.

THE CHAIRMAN: Thank you very much, Mr. Sandford; we are very grateful to you. Now, is Mr. Roland Sutton here, of the Nova Scotia Fruit Growers Association?

MR. SUTTON: Yes, sir. I am very sorry we have only two copies of this brief.

THE CHAIRMAN: We will mark one of them as Exhibit 6.

MR. SUTTON: I would like to explain and apologize for not having a sufficient number of copies of this brief, which as you will notice is very short.

Our organization, the Nova Scotia Fruit Growers Association, is what might be termed a specialist organization. Although it has been in existence for some 90-odd years we still have not accumulated enough funds to maintain an office staff.



While I am the secretary at the present time, I have to endeavour to make my living through farming. Our secretary and assistant secretary are paid their expenses.

I would like to preface this brief by giving a very short sketch of the history of our industry. It is something over 100 years since the apple industry in the Annapolis valley was started, but it was not until the 1880's that it really started to grow.

Then in the last part of the nineteenth century and the early part of the twentieth century we started to export our surplus production to Great Britain. That export increased quite rapidly in the early part of the twentieth century. Production in the nineteenth century was relatively moderate, and quite a large portion of the crops were marketed in Nova Scotia. But in the start of the twentieth century we really began shipping to the British markets, and we planted quite extensively in varieties of apples that were favourable to the British market.

We carried on in that manner, enlarging our industry, until the time of the first world war, when it got quite a definite set-back. There were two years during that war when we were unable to export apples to Britain.

After that war, especially when the imperial preference came into being, the British felt that possibly the commonwealth countries would not be able to supply them with their requirements of apples, and there was an impetus to increase plantings in





order to make sure that we could supply Britain with her requirements.

So the industry grew quite rapidly at that time, and in 1933 we reached our peak of something over 8 million bushels production.

That carried on until the start of the second world war, when the British markets were cut off suddenly. We were left that year with a fairly heavy crop of apples and absolutely no markets. It was necessary then to obtain assistance from the federal government to dispose of our crops.

That carried on during the war years, in the hope that after the war was over we would again be able to resume our trading with Great Britain.

During the five-year period 1934-1938, the annual production of apples in Nova Scotia averaged approximately 6,000,000 bushels with an average value of \$4 million per year.

During the five years immediately preceding the war years, apple exports from Nova Scotia averaged 4,500,000 bushels per year, or 75 per cent of total production.

Due to the disruption of trading during the war years, and to currency restrictions since the war, the overseas market has been almost completely lost to this country. The total exports during the past five years have been less than 700,000 bushels.

In order to eliminate types of apples which were becoming unpopular on the market and to produce only the most marketable varieties the apple growers, with assistance from the government, pulled





out over a million trees, or over one-third of the apple tree population, thus greatly reducing the volume of production. In addition to that a lot of our younger trees, varieties acceptable to and favoured in Britain, were grafted out under a provincial assistance programme, to varieties more acceptable on our Canadian market.

In addition to this, and in a further effort to ensure the marketing of high quality fruit, four modern cold storages were built at a cost of approximately \$2,000,000 and a complete change was made from the barrel pack, which had been in vogue for a great many years, to the present day box pack.

Notwithstanding all of these efforts, the apple industry of this province and, as a consequence, the whole economy of the apple-growing area is in a state of depression. This situation is due to factors entirely beyond the control of the growers themselves and is indeed beyond the control of provincial authority, namely the restriction of currency and the imposition of quotas.

On page 10 of the provincial brief, under the heading of Tariffs and Trade, reference is made to the tariff barriers and other hazards to international trade. We found after the war was over that we were not going to be able to get back into the British market, owing to the exchange situation, and that resulted in those very small totals of bushels of apples exported to Great Britain.



Fortunately for us our average production these past three years has been quite moderate, has been quite low, chiefly due to the economics of the situation. We were not able to afford to grow them. As Mr. Sandford stated in his brief, some 500 apple growers went out of the business completely. Granted, they had small holdings, but they were just forced out completely and went into other forms of agriculture. At one time we had approximately 2,300 growers listed, and now we are down to just under 1,800.

In speaking of the economics of the situation I would just like to give you the annual returns for apples by provinces for 1952, 1953 and 1954. In 1952 Nova Scotia received an average of \$1 per bushel, while the average for New Brunswick was \$1.67; for Quebec, \$2.20; for Ontario, \$1.61, and for British Columbia \$1.32. The Canadian average was \$1.40.

In 1953 Nova Scotia received \$1.37 and showed the smallest crop on record, only 1,087,000 bushels. The average for New Brunswick was \$1.75; for Quebec, \$1.90; for Ontario, \$2.04; for British Columbia, \$1.15. British Columbia had a crop of 6 million bushels. The Canadian average was \$1.50.

In 1954 the Nova Scotia average was 98 cents; the New Brunswick was \$1.75; Quebec, \$1.58; Ontario, \$1.62; British Columbia, 91 cents. The Canadian average was \$1.19.

That, I think, will bring to your attention that part of the provincial brief in the





conclusions on the second last page, where they say:

"Certain problems are common to most of the important industries. For those heavily dependent on foreign trade, tariff and exchange are actual or potential obstacles to expansion. For industries serving the national market, distance from the main population centres involves high transportation costs."

It is only natural that growers in Ontario and Quebec, who are nearer our large metropolitan areas, get along much better than we do in the east or our friends in British Columbia.

As to our costs of production, we have tried to reduce costs. In our endeavour to do that, during the past three years quite a few of us tried to cut down on our spraying operations. As some of you may know, we have to apply six or seven sprays during the year, using very expensive materials, materials which instead of getting cheaper each year are getting more expensive; greatly so.

We are unable to save any money in purchases. Our purchases are all increasing. Our costs are increasing; but in trying to save on the spraying of the trees we ran into pest problems, resulting in very low crops.

It is interesting to note that in those years when we had the low crops our returns to the farmers, or at least to the industry as a whole, amounted to more than they did for the years when we



had large crops. This present year we have a crop which is the largest we have ever had for our present tree population. It is estimated, and I believe conservatively, that there are 4 million bushels of apples in the valley. Our potential market in the maritimes is less than 750,000 bushels.

We had hoped that we would be able to make use of the agricultural price support legislation which is on our statute books in order to get some relief in this present situation. To date our efforts along that line have certainly not been successful. It would appear that we have been turned down, although in our position we can never afford to take no as a final answer.

I would state, and I believe conservatively, that if something is not done in the valley this year a great number of our growers are in bankruptcy. That is in an area that in the past was one of the bright spots in the economy of the province. Those of you who watched Babson's reports and graphs during the thirties will have noticed that the Annapolis valley had gold stars while other areas were pretty well depressed, but now it is the other way around. I was talking to Dr. Howland, and he stated that if any area needed investigation by a competent group such as he is a member of, ours is that area.

We have exhausted our approaches to find new markets to try to dispose of our crop. We have a carry-over of processed products in the dominion that



apparently has frightened the banks so that they are loath to make loans/<sup>to</sup>processing plants to process any great quantity of this year's crop, although in the natural course of things apples will be scarce and prices will be high. Most certainly after a year such as we are having in the valley this year we will be unable to produce a crop of apples in the valley next year. We will not have the money with which to do it.

Speaking of prices, I have a table here. To just show you what we are up against, a bushel of fancy apples is selling at \$1.50 per bushel in the retail stores here this morning. Of that approximately 45 cents goes to the retailer. The actual picking, packing and trucking costs are \$1.10 a bushel. That leaves nothing for the production cost.

That figure of \$1.10 is made up as follows: picking, 15¢; trucking to cold storage, 3¢, which I believe to be low; packing, 30¢; package and accessories, 50¢; trucking to Halifax, 12¢. That totals \$1.10; so with apples selling in the retail stores this morning at \$1.50, taking off the 45 cents to the retailer and the \$1.10 for picking, packing and trucking, it leaves a deficit of 5 cents. That means the grower not only gets nothing but is 5 cents in debt. That is what we are faced with. One store in Halifax this morning is actually offering fancy apples at \$1.45 a bushel.

That is my submission, sir.

THE CHAIRMAN: What was the crop in Nova Scotia last year? You gave us the average price of 98





cents. I wondered what the production was?

MR. SUTTON: The total farm value was \$2,114,000.

THE CHAIRMAN: And of that you could consume in the maritime provinces about \$750,000 worth?

MR. SUTTON: No, 750,000 bushels. You asked for the value, did you not?

THE CHAIRMAN: Yes, and you said the average was about 98 cents?

MR. SUTTON: Yes, so it would be about the same.

THE CHAIRMAN: I suppose of the 750,000 bushels consumed in the maritimes, a substantial portion would be processed?

MR. SUTTON: No, that would be what we term fresh fruit consumption. That is in addition to the processing. But last year we were visited by hurricane "Edna" and approximately two-thirds of our crop was blown from the trees. That is included in this total.

We obtained assistance from the federal government in marketing those. The greatest proportion of the quantity marketed through processors went to concentrate and the end product was sold in the United States. So that did not displace any of the Canadian production, but it did displace concentrate which they had previously imported from the continent.

THE CHAIRMAN: The concentrate being what?

MR. SUTTON: It is sometimes called boiled cider. It is used as a base for jams and jellies, and



sometimes in one stage of the preparation of brandy.

THE CHAIRMAN: In a normal year is much of the crop exported to the United States, or does most of it go to other parts of Canada?

MR. SUTTON: No, a very small proportion of our crop has been exported to the United States. The change-over in our varieties has not been completed yet, and the varieties grafted in are not in heavy production as yet, with the exception of McIntosh. We would like to have more Delicious, which would be saleable in the United States; but we have shipped apples in there for processing nearly every year.

THE CHAIRMAN: They do the processing themselves in the United States?

MR. SUTTON: That is correct. The duties on processed apples are quite high. I presume that was arranged so the raw product would get in.

THE CHAIRMAN: Similar to some other industries?

MR. SUTTON: I imagine you have found that before.

MR. STEWART: What is happening to the consumption of apples in Canada?

MR. SUTTON: That is a very good question. The average per capita consumption of apples in Canada is approximately 30 pounds.

THE CHAIRMAN: Going up or down?

MR. SUTTON: It is about static.

THE CHAIRMAN: Does that include juice?

MR. SUTTON: No, I think that is fresh apples.





MR. STEWART: Has the consumption of juice and processed apples increased or remained constant?

MR. SUTTON: The consumption of processed apples has increased, with the general trend which seems to be that the housewives find it easier to open a can than prepare the raw product. I must not altogether blame the housewives for that. On our own farm the tendency lately is not to keep six or seven barrels of apples, as we used to do, and have three-quarters of them spoil before they are used. It is more economical to buy a case or two in applesauce and solid pack, the one for use as applesauce, and the other to be used in making pies.

MR. STEWART: What is your competitive situation, say in relation to British Columbia apples, in the Ontario market?

MR. SUTTON: Today our varieties that we are growing have not been as acceptable as those of British Columbia. They have a very heavy proportion of Delicious and Newton, which are two late-keeping apples and quite acceptable.

MR. STEWART: It takes a long time and quite an investment to shift over?

MR. SUTTON: It is quite expensive, and you are quite right; it takes quite a long time. A tree over 20 years of age is not a sound investment on which to spend money. That tree should be pulled out if it is growing an unsaleable variety.

MR. STEWART: These 500 producers; they



were producers with other enterprises? The apples were a subsidiary interest?

MR. SUTTON: Largely, yes.

MR. STEWART: What did they go into? What was the land used for that was withdrawn?

MR. SUTTON: The majority of growers in the valley are not altogether in apples. They have some other lines of interest such as potatoes or grain; perhaps a small dairy herd, or something of that nature. There are quite a few, however, who are solely dependent on fruit production.

MR. STEWART: Have you any more detailed information on land values in the valley?

MR. SUTTON: Yes. I thought when Mr. Sandford was answering that question that I could tell a little different story. As he says, there is a great difference in land values in the Annapolis valley in connection with orchard land. I have orchards that pre-war paid very good interest on a valuation of \$1,000 an acre. At the same time I had orchards that did not pay any interest on a valuation of \$200 an acre, which points up the differentials you must use in valuing the different blocks of orchards.

Naturally that orchard that did not pay anything on a valuation of \$200 is no longer there. Unfortunately the orchards that did pay an interest return on a valuation of \$1,000 are not paying their way under present conditions, although they are in as good a state of health as they were then.

MR. STEWART: But there is no alternative



use for the land at that kind of valuation?

MR. SUTTON: Oh, no; but the values are not there. Orchard properties are turning over today at practically the cost of open land. There is no such thing as a valuation of \$400 or \$500 per acre for orchard land for orchards in the valley today.

MR. GUSHUE: Would an improvement in the international exchange position affect the apple industry?

MR. SUTTON: That is the solution as I see it personally. The fact that the pound sterling is worth very little more than half its previous worth is one of the most difficult things we are up against. If exchange were back near par and we had open marketing on the continent and in England, I would feel much happier in my view.

THE CHAIRMAN: Neither of those "ifs" is likely to occur, is it?

MR. SUTTON: Don't ask me. You tell us what you think.

THE CHAIRMAN: I thought for a moment when I was asking that question that it was beginning to sound more like a statement than a question.

MR. SUTTON: Well, we have heard that before. I am old enough to have taken part in the first war, and I did not feel too good when, after I came back home, some American friends of ours were down and stated that the British pound would never be back to par; it could not be; the economics were all against it. It would never be back. Yet it was not too many years after the war that I sold sterling in





advance of shipping for \$5.20 a pound.

THE CHAIRMAN: After all, our dollar has gone back to par recently.

MR. SUTTON: I am glad it has. The exchange situation is something that is above my ability to understand the whys and wherefors, but it would appear that an area that does five-eighths of the world's business and that deals in sterling -- well, it is rather difficult to say that that exchange is always going to be depressed.

THE CHAIRMAN: Thank you very much indeed, Mr. Sutton. We are very grateful to you.

--- At 1:15 p.m. the commission adjourned.



--- At 2:30 p.m. the commission resumed.

THE CHAIRMAN: Well, gentlemen, I suggest that we come to order. Senator Hawkins has very kindly agreed to come and tell us something about the lumber industry of this province.

SENATOR HAWKINS: To begin with, Mr. Chairman and gentlemen, at a meeting of the directors of the Maritime Lumber Bureau about two and half weeks ago, it was suggested that somebody appear before your commission, and at that time Mr. Birchall and myself were asked to so appear.

Owing to circumstances over which I had no control, it was impossible for me to prepare a brief. I had good intentions but you know the place to which the road is paved with those. I now find that Mr. Birchall is intending to appear before you at your meeting at Fredericton, and is having a brief prepared for that occasion.

So all I can say to you is that I have been asked by the bureau to officially appear before you. What I have to say has not been approved by the bureau but is purely my own thoughts. To begin with, probably up to the turn of the century Nova Scotia's economy was based on the three primary industries, agriculture, fisheries and lumbering. Of course as the years have gone by there has been a good deal of development in other fields, but still I feel that the backbone of our economy is in those three primary industries, because if we do not have those we will have lost something very





valuable both to our economy and to our cultural way of life.

The forests of this province have yielded a fairly steady income over the last 200 years, but in my opinion we are not getting the maximum possible out of them. We have had good returns. We have had pleasant relations about it. The forests are pleasant things to have, but still I think there is a great deal yet to be done in developing and conserving our forests. I believe that to be so for many reasons; not alone for the economic return we will get out of it, but in order that we can assure to those who come after us that they will have a heritage as valuable as we inherited, and I think that is very important.

There are several factors that are probably retarding the proper utilization and development of our forests in line with scientific advances in the world. I shall speak of a few of them. I do not pretend to be exhaustive in this review, but I would like to give you a few of my thoughts.

The first point I will speak about is taxation, and I speak of taxation at all levels, federal, provincial and municipal. Let me take federal taxation first. For the preservation of our forests, once the virgin forest has been violated it should then be carried on on a planned basis, and that basis should be that you should never remove from the forest any more than will maintain its productivity.

Under the present system of taxation a great many people feel, whether with justification or



not I do not know, that it is more profitable to cut and get out; that is, to clear cut. To clear cut and get out means that you have no further responsibility in connection with it, and you do not expect any further return.

On the other hand if you hold the property, pay the taxes on it -- and the taxes, of course, are a charge against the property; I want to make that clear so you will make no mistake. But say for instance you are on a ten-year rotation and in twenty years you find that with the inflation of the dollar, the increment of world prices and so on, this property you had obtained for perhaps \$1 per acre now brought you \$20,000. That is income. But if I took that \$20,000 and put it in Royal Bank stock and it appreciated by \$20,000 in four years or in two minutes, that is capital gain. So in my opinion that has a retarding effect on people holding land for a long period of years in the hope of economic return.

Another factor is the short-sightedness of human nature. I first went into the timber industry a little over 50 years ago. I am not a university man. I am not a forester. I have no professional qualifications at all. I went to work in the bush with an axe a few months over 50 years ago, and the idea then was that once you cut the forest, it was done; nobody would get anymore out of it. I bought my first piece of land in 1908. The man offered it to me for \$200. It was pretty carefully cut, because it was a poor winter and I could not cut it too close. Just as a





matter of interest, in 1935 that property was sold for \$5,000, and in 1948 it was sold for \$8,000. Both times crops were taken off which I presume would be at least to the value of the \$5,000 that was paid for it. Generally speaking it is only human nature not to look too far into the future, and we all have an inclination to want quick returns. For that reason people are not too much interested, generally speaking, in conserving the forests. However, I do believe a good deal has been done in that field in the last few years, and I think a great deal still remains to be done. One of the things that might be done is a little more by way of example and a little more by way of preaching up the value of good forestry practices.

Another difficulty our industry, as I see it, is suffering from is this. I do not know how it is today, but some years ago there were 700 sawmills in the province, which only had a little over 600,000 people in it. Of those 700 mills perhaps ten or a dozen marketed their own products; and when I say that I mean they had contacts between themselves and their customers. So our merchandizing or marketing scheme is not as good as it could be in order to get the maximum return.

In 1938 there was an organization formed called the Maritime Lumber Bureau, which is the group I am supposed to be representing here today, with the idea of promoting our sales and also promoting interest in the United Kingdom market. As it developed, we found that it was difficult to get the value, or I should say the same price, for our lumber that some of the larger





mills are getting. As a matter of fact there was a tradition built up -- and as you know the Englishmen are pretty strong on traditions -- that lumber such as we produce here could not be worth more than 10 shillings less than they would give for other lumber of the same quality. As a matter of fact 75 per cent of the stock we were shipping at that time was of superior value, because those other parts had balsam, which is considered an inferior wood. However, tradition did that to us.

We considered fixing a standard, and finally got a standard established in 1945. Then a committee went to England and managed to interest the British board of trade, which as you know was buying the timber for the British market, and we got them to accept a shipment of our grade of spruce. The Attorney General and the Minister of Lands and Forests accompanied me on that occasion. Before they would buy 500,000 feet from us they asked us to have the two governments guarantee the board of trade against any loss which might come about if they found that this 500,000 feet they had bought, which at that time might be worth \$25,000, was not up to par. That gives you some idea of the difficulty you find in breaking down traditions. We were fortunate enough to get the guarantee of the governments by cable, and they bought the lumber. Since then we have been selling to them, not as much as we would like but quite a lot on a graded basis.

I am telling you this to indicate what are the possibilities for better merchandizing and marketing. We have been selling on a graded basis at



prices comparable to those of our competitors in Sweden, Finland and of course in the St. Lawrence basin and elsewhere.

I have been talking about lumber because primarily I am a lumberman, but I am also a forestry man, a woodsman from the sticks, and I am deeply concerned over what the sticks will do for this province. I am of the very firm opinion that it should all go into fibre; and that being the best economic return for this province, let it go there. But I am a bit concerned about the method of extraction and utilization. I suppose 50 to 60 per cent of the lumber that is going for sawlogs now should go in pulp, in my opinion. I make this clear, that I am only voicing my own opinion. I believe that lumber should go for pulp, and probably that much and maybe more of the lumber going into pulpwood should be going into sawlogs.

To give you a concrete example of what I am saying, let me tell you this. The pulp people feel they should buy stumpage, and pay not more than \$3; \$2.50 is what they say. Just recently stock which should have gone for pulp sold on the basis of \$23 a thousand, which is \$11.50 a cord. So you can see the basis of my argument; and I shall expect my friend here, who is a pulp man, to interpret my thinking on this to the rest of the board if I am not doing it clearly enough.

Then there is another factor; that is the full use of the products of the forests. There are thousands and hundreds of thousands of cords going to





waste in this province annually. At one time a large portion of that went to fuel; as a matter of fact I can remember when Halifax was largely heated with wood. I can remember when practically all of Truro was heated with wood. Now it is oil, and those woods, hardwoods particularly, that are not suitable for sawlogs -- and the greater portion of the growth on the ground is not suitable -- are left to deteriorate and rot. But it is the very best of fibre wood, and I think we should be making use of that. I am not saying how, but I think it is a crime that we are not making use of it. It is here, in this small province, where at no point can we get more than 30 miles from tidewater, and this wood is growing right along the sides of roads and highways. Coupled with all this there is the need for forest cover. We have a little hydro development. We have not any great development, such as Mr. Gordon is accustomed to dealing with up in Ontario, but we do have some. We do not have bad floods, but we do need much better forest cover to control our flood waters. As I say, we have not a great deal of trouble with floods, but where the watersheds have been too badly denuded, we do have trouble; and we cannot have water power in this country, Mr. Chairman, without having forest cover to make a mossy bottom to absorb the rainfall.

Then there is another matter; that is the changed pattern of forest utilization. That is not peculiar to our province, but it is peculiar to our province in one respect. With the large units that seem



to be necessary to make pulp and paper, and the very, very large capital investment, they tend to go to the larger centres.

Almost ever since Nova Scotia became a province -- not a part of Canada, but a province -- each of these small communities had a sawmill and a sawmill operator. There was a bunch of young fellows who grouped around him and followed him to the woods, working with him, and who established their families in the community and generally were part of the community life. With the acquiring by the large pulp concerns and others of the forest land holdings, much of it held in reserve, delineating it for the mill perhaps in New York or in London, those communities have gone into a form of -- I should not say decay, because I might be criticized for that, but they are not as prosperous as they used to be, and these rural communities are the backbone of our culture and economic life here in this province. They have provided us with many of our best type of citizens. I do not know what can be done about it, but I am drawing your attention to this situation.

I do not propose to say very much about secondary industries. There will be other people here to speak for them. I see Mr. Hibbert here, director of Fairey Aviation. Generally speaking when you are in Toronto or Ottawa or any place like that, if you say anything about industry in this province, be it light or heavy, somebody raises his eyebrow and says, "I have been told you do not have the electric power and do not have the skills" and so on.





In 1948 Fairey Aviation of England bought a plant which was in disuse over here, which had been used during the war for shipping out fish. I had the good fortune to be associated with Mr. Hibbert, and it was easy to understand why no one was interested in the building. As I say, it had been used for shipping out fish, and they had not gathered up the offal, so it was not very attractive.

I think we started there with twelve men, and the number employed now is close to a thousand. That industry is taking its part in the life of this community. It is making a contribution, not only economically, but culturally, to the life of this area. In all I do not think we have imported more than twenty men. The skills that are being demonstrated and used in that industry are the skills of Nova Scotia boys.

I know how valuable time is to you, Mr. Chairman, but I would be delighted, as I know Mr. Hibbert would, to show you that plant. It is a wonderful example of what can be accomplished.

At confederation we were by no means the weakest province economically, and since that time Nova Scotia has made a significant economic, political and cultural contribution to the nation. I firmly believe that Nova Scotia will make an even greater contribution in the future.

However, in the process of our nation achieving its nationhood the comparative economic position of this province has been somewhat weakened, due in certain degree to our geographical location, but chiefly,





I believe, to government policies which appeared necessary in order to build and unify our nation.

I feel that if this province is to make its full contribution to the future of Canada, some special measures on the part of governments will have to be invoked, in full and frank recognition of the fact that we have made a significant economic sacrifice to the unification and building of this land.

I certainly hope this commission will reach some positive conclusions such as I hold as to the contributions which our province can make to the future of Canada.

And now, Mr. Chairman, through you I request you and your commission to earnestly search for the fundamental measures which are necessary to stimulate the economic activity of this province and create an environment in which Nova Scotians will again be as renowned for their initiative and enterprise as they were in the days of wooden ships and iron men, when their sons were known in every civilized part of the world; and I thank you.

THE CHAIRMAN: Thank you very much. Would you be willing to answer a question or two?

SENATOR HAWKINS: I would be very glad to do so.

MR. LUSSIER: First I want to congratulate you on your very interesting study of the situation. You said that you had not a college education, that the only education you had was acquired in the sawmill and the bush. Well, as a professor of forestry I would be



prepared to grant you a certificate in forestry cum laude. Moreover, I would recommend the university to give you a certificate of doctor honoris causa.

SENATOR HAWKINS: I suggest that you have had a very, very gracious luncheon, but I thank you very much.

MR. LUSSIER: I am glad to tell my colleagues that your expose was one of the best and most enlightened that we could have. I concur in all you said about conservation and the necessity of protecting our forests for the future, and even for the next generation.

You were talking, Senator, about the dwindling of the rural communities, about the way they were becoming less prosperous because of the installation of the big industries, such as pulp and paper. I think you are perfectly right in saying that, but do you think it would be possible -- and this is what I understood you were recommending -- to integrate both lumber and pulp and paper in the common interest, in order that the very communities which are suffering because of the coming of those industries would again come to enjoy the same prosperity they had in the past? I mean this. You said, for instance, that a great deal of wood was going to the pulp and paper industry which should go to the lumber mill industry, and I agree with you. Conversely you said there was a good deal of wood going to the lumber mills which should go to pulp and paper. This is a matter of integration. What would you recommend to achieve that purpose?





SENATOR HAWKINS: Well, of course, I am almost afraid to make a comment there; but you have this word integration. I think full integration would be the answer, though perhaps an evasive one.

Perhaps I have to go a little deeper to make clear what I am thinking. Not a great deal of our land, in fact practically only our river bottoms, is purely good agricultural land. We have excellent forest land, well-drained and so on; but in a great many of our smaller communities much of our agricultural land is marginal.

In these small places the community life -- the churches, schools and so on -- has been maintained by both agriculture and forestry. They have been able to work in the forests, cut the wood, sell it and all the rest of it.

I have not a solution for it. You cannot halt progress, and with scientific developments the larger units are going in. But it is going to be a very distinct loss if we lose this source of livelihood. Perhaps some of the farms should go back to forest, but that would be quite a retrograde step for each of those communities that failed to keep up its services; and that is what I had in mind.

I did not make it clear, perhaps, because I, like yourself, do not have the answer. I believe you are groping for one, and so am I; but what I am afraid of, and what is developing, is that areas that lived 40 per cent, 30 per cent, 50 per cent out of the forests 20 years ago, are now trying to survive on sub-marginal



agricultural land, or are deserting the communities.

That is what I had in mind, and that is part of the problem. I know you must be familiar with it, because maybe it is more prevalent in your province than in mine.

MR. LUSSIER: I think we have the same problems.

THE CHAIRMAN: Well, we are very grateful to you, Senator.

SENATOR HAWKINS: Thank you very much, both on behalf of the lumber bureau and my own behalf for the very cordial reception which you have accorded me.

THE CHAIRMAN: Now I call upon Premier Hicks.

PREMIER HICKS: Mr. Chief Commissioner and distinguished commissioners, I really have nothing to add to the brief that was presented on behalf of the various departments of the government of Nova Scotia this morning.

I wanted, however, to come and say to you that I regret sincerely that the acceptance of a speaking engagement elsewhere in Canada, which was made in a free and easy manner about six months ago, but which as the time approached became more difficult to avoid, as we all find, made it impossible for me to be here to welcome you on your arrival in Nova Scotia.

I hope you have had not only a pleasant time here, but that some of those who have been before you have been able at least to point the direction in which you might pursue your inquiry and discover some facts that will not only be of interest to the economy of this province





alone, but perhaps will have a bearing on the economy of the whole of Canada.

We want, as you know, to accord to you every assistance we can. We felt that to make a comprehensive study ourselves and to dare call it that, would have implied the setting up in this province of a commission to do this work here as exhaustively as we and all Canadians expect you are going to do in Canada generally.

Therefore I would like to emphasize two points only in the submissions that were made this morning. The first is that we do feel that at the beginning of your inquiry your attitude toward these problems may not be the same -- indeed I think it is unlikely that it will be the same -- as you continue across Canada. We would like to think that if there are other points concerning which we could be of assistance to you, and indirectly of assistance to ourselves as well, you would not hesitate to call upon us; and I assure you that all the facilities of the government and government agencies of Nova Scotia will be placed at your disposal.

The second point on which I should like to spend just a moment was also touched upon in the opening remarks this morning of my colleague Mr. Dauphinee. That is the importance of problems connected with transportation to the whole economy of the maritime provinces, or perhaps I should content myself with referring to the economy of the province of Nova Scotia.

I do not intend to go over the traditional arguments, dating back to confederation, that perhaps you expect Nova Scotia politicians to make to you. I know





you will be familiar with those arguments; but I do say there may be some merit even in the classical conception of our position and the effect that Canadian confederation has had upon it.

What I do want to say is this; that it must be clearly understood that the development of many aspects of the economy of this province is inextricably bound up with our geographical position in the Canadian economy. In other words, if we are to look to Canada for our intercourse in business and trade, our participation in the manufacturing industries of the country, and the supplying of goods and services to the Canadian market generally, then the transportation problem is of vital concern to us. I do not think any appraisal can be made of the economic potential of the province of Nova Scotia without having regard for the ability of manufacturers and suppliers in this province to get their goods and services on the Canadian market generally.

If in the alternative we are to look elsewhere for our trade, then of course we are tremendously dependent upon the tariff policies of Canada as a whole. I am sure your commission will soon discover what I am quite positive that you as individual commissioners already know, that the making of tariff policy in Canada is not greatly influenced by the people in the small province of Nova Scotia, important though we may feel ourselves to be.

Therefore, as I say, if we are to look abroad for our trade and economic interests and interdependence; if we are to deal with other countries, then



we must depend upon our tariff policies in the making of which we do not have as much say as the central provinces of Canada. Alternatively, if we are to look toward the Canadian confederation, then the thousand-odd miles to the heart of Canada, so to speak, with which we are connected by rail and to some extent by water, become tremendously important. It seems to me that if it were not for these transportation difficulties, automatic solutions to<sup>a</sup>/great many of our industrial problems would present themselves to any businessman who cared to operate in the province of Nova Scotia.

Well, now, these are the only two points I wish to accentuate with respect to the brief that was presented this morning by Mr. Dauphinee and then by various officials of the government of Nova Scotia. Let me again say that if we can supply further information as your inquiry develops we want to do so. We do hope you will give serious consideration, in so far as it is possible and proper for you to do under your terms of reference, to the effect of transportation in all its aspects upon the economy of the maritime provinces, and particularly as far as I am concerned, upon the economy of the province of Nova Scotia.

May I again welcome you belatedly but warmly to the province of Nova Scotia, and hope that your stay here will be both pleasant and profitable. I believe you have been kind enough to accept an invitation to dinner with some members of the government of Nova Scotia tomorrow evening, and we shall look forward





to seeing you again at that time.

THE CHAIRMAN: Thank you very much, Mr. Premier. It was very good of you to come down here this afternoon. We received an excellent presentation from Mr. Dauphinee and your officials this morning, and we shall certainly take advantage of your suggestion that if we need more information later on, we may feel free to come and ask for it.

I might add, as I said this morning, that we are very grateful to you for granting leave of absence to Dr. Howland to serve with this commission. I dare say that he will see that we do not forget some of the problems of this important part of the country as we go along.

PREMIER HICKS: Well, we hope he will be useful to you. Thank you very much.

THE CHAIRMAN: Now we have Mr. Hibbert, managing director of the Fairey Aviation Company of Canada Limited. Would you like to come before us now? We were told a few minutes ago by Senator Hawkins, and also earlier both by the Senator yesterday and another of your directors, of what you have accomplished in a short period. It is certainly impressive to us that you should have built this plant of yours from a total of twelve employees to over a thousand in some eight years.

MR. HIBBERT: Seven years.

THE CHAIRMAN: We would like to know how you did it, and whether anybody else can do as well.

MR. HIBBERT: Well, I shall do my best to tell you.



Mr. Chairman, Messrs. Commissioners and gentlemen, I am glad to be here in response to the chairman's invitation; but I want you to understand that I do not pretend to be an expert on the possibilities for secondary industries in Nova Scotia. However, I can speak from my experience as managing director of a firm comparatively new to this area. My company has been successfully operating at Eastern Passage for some seven years now, and prior to that some of the personnel, including myself, were operating from a large aircraft factory in Montreal.

I hope you will excuse any pride I will show in my remarks, but I find it difficult to do otherwise, having had the pleasure of building up the operation at Eastern Passage from twelve men to over 900 employees. I shall be glad to answer any questions regarding the operations at Eastern Passage, but perhaps a brief description of our operation would be in order.

Primarily we are concerned with the overhaul, repair, design, modification and conversion of all types of aircraft, and the manufacture of hydraulic controls for other aircraft and spare parts.

Because most of our work requires specialized skills, we were anxious to know the availability of skilled labour when contemplating the location of a Canadian plant. We were warned that we might not find many skilled men in the Halifax area. This warning we have found to be groundless, in that although many of the men were not skilled, they were very quick to learn; and our experience has been that we had little to worry





about on this score.

I might mention that some six years ago we instituted an apprenticeship training scheme in conjunction with the Department of Labour of the province of Nova Scotia; and the lads who have completed their four years of training are second to none in their skills.

I would like to say here how we as a company appreciated the province picking out the lads, interviewing some 60 to find 20 to put through a school so they might be sure we got the best lads available in Nova Scotia at that time. I do appreciate, and my company appreciates, what the province has done to assist us to get where we are today.

I have taken advantage of this opportunity to bring along a sample of the work produced by Nova Scotians working in our machine shops. This is part of a hydraulic flying control for which we have an order for over 1,000 from one of the biggest manufacturers in Toronto.

I have set out several points, all of which must be considered by any company when considering opening a new location. Meantime I would like to show these parts. All these jobs are done on a fixed price, competing against contractors in Montreal and Toronto; and we have clinched the tender. At the same time we are now doing jobs for Canadair for which other companies tendered, and also we got two fixed price jobs in Toronto. This item which I am showing you has been all manufactured and assembled by Nova Scotia labour that has either been trained here or that had the skill before.





THE CHAIRMAN: Do you do all the machining?

MR. HIBBERT: Yes, we do the lot. The forging is our problem. We have to go away to get that. Those are the forgings of my parent company at home. I hope when I get time to be able to organize a company in Nova Scotia to make those forgings, because I can tell you that the Americans are not so far ahead as my parent company at home with respect to forgings. Mind you, that is absolutely finished. In an ordinary forging you have to do six hours of work to finish it up.

That is an example of what we are doing up here. If Nova Scotians can do that labour, they can do any labour.

Labour. Although not overly skilled at first, the workers come from good stock and are quick to learn, and are generally highly productive. The younger lads who agreed to enroll as apprentices retained their keenness during the difficult four years work. Smaller plants in the Halifax area and throughout the province have provided a great deal of help by their acceptance of sub-contract work from us, and have proved to be most satisfactory in the conduct of their work.

Climate. Although it has been known to rain in the maritimes, the year-round climate is conducive to high production. Our temperate winters offer little resistance to transportation, and our summers do not cause the work stoppages known in other areas of central Canada, because of heat. I should judge that over-all we get more work per man-hour than some of the more central areas.



General. Availability of supplies of various types is sometimes difficult, but in most cases this can be overcome by forward planning for requirements. Our hydraulic work is made more difficult by having to go to the Montreal-Toronto area for certain types of forgings and castings; but despite this we have recently been favoured with contracts from two leading Canadian aircraft companies. I feel that these prove that it can be done, despite the apparent obstacles.

Some \$70,000 per month is spent by us for supplies not available in this area. I am not suggesting that these supplies should be maintained locally for our firm alone, but I do think that the advent of a few more industries would warrant the expansion of facilities and stocks by some of the local suppliers. I must admit to little knowledge of the manufacturing process in connection with paints and their allied products, but I do know that our paint requirements are quite extensive, going up to easily over \$120,000 per year; and I am certain that most of the manufacturing is done in areas other than the maritimes.

In closing I would like to point out that in seven years the Fairey Aviation Company of Canada Limited has grown from a handful of employees to practically a thousand. The payroll now has reached over \$50,000 a week. New buildings have approximately doubled the working area, and we are not finished yet. Indeed, it is quite possible that the expansion already mentioned will be overshadowed in the future.

THE CHAIRMAN: How do you ship most of your





products? By rail or by boat?

MR. HIBBERT: By rail or by air. A lot goes by air. It pays us in the speedy delivery; that is, apart from the heavy stuff. We use the airlines quite a bit now.

THE CHAIRMAN: Have they any freight planes coming into Halifax now?

MR. HIBBERT: I do not know whether they are freight planes, but they put the stuff on any of the transports out from Montreal.

THE CHAIRMAN: We are hoping to hear a considerable amount about the potential for air freight in this country.

MR. HIBBERT: I should say the time is coming to put on special freight planes.

THE CHAIRMAN: There is a certain amount of it between Montreal and Toronto, and I was wondering if they had gone any further?

MR. HIBBERT: You must remember they have Shearwater employing something like 500 civilians apart from the naval personnel, all on aircraft work.

THE CHAIRMAN: Is your work all for the aircraft companies?

MR. HIBBERT: Yes, but not necessarily. We have done commercial jobs. We have one or two on the lines now, but unfortunately to get it mixed up with government orders is a bit awkward. However, we do bid for commercial jobs, and we do get them.

THE CHAIRMAN: For local business?

MR. HIBBERT: Yes, local business, such as



brackets for transporting the telephone lines in the forests, and that sort of thing. I would say we have done a hundred thousand of those and sold them right across Canada.

MR. GRAUER: Is it your feeling that other industrial opportunities are here for the taking, or that some assistance is needed?

MR. HIBBERT: For ourselves, I came here as a stranger seven years ago, and we have grown up from nothing to a company employing 900 people. So I should say there are quite a few possibilities here; quite a few. Now we have our shop full of work, and it is practically all government work. Some 60 per cent of that is done on a fixed price. If we had no government work in I would go outside and start looking for something else to make, anything we could get a living out of.

THE CHAIRMAN: Do you include in the government work the work you are doing for Canadair and A.V. Roe?

MR. HIBBERT: Well, it is government work; it is on government machines, presumably. I don't know.

THE CHAIRMAN: Is that included in your 60 per cent?

MR. HIBBERT: No, that would not be included.

THE CHAIRMAN: If you put that in it would bring your percentage considerably higher?

MR. HIBBERT: That is right. These pieces I have shown you are being done on a fixed price contract for A.V. Roe.

THE CHAIRMAN: Thank you very much, Mr. Hibbert. It was kind of you to come, and we were very





interested in hearing the story of your success here.

Now, is Mr. Carter here? I understand you are director and general manager of Cossor (Canada) Limited?

MR. CARTER: Yes. I have prepared a statement on it. I do not particularly want you to look at it now, but if I might I shall leave it with you.

THE CHAIRMAN: Thank you very much. It will be marked as Exhibit 7.

MR. CARTER: First of all I would like to explain why I come before this commission. We are one of the smaller and newer secondary industries in the maritimes. We came here in 1949, and we are engaged in the electronics business.

In many ways I suppose the electronics business in Canada is probably the most competitive, or one of the most competitive. I think there are now nearly 50 manufacturers of electronic equipment listed in Canada, and some of those companies are of immense size by any world standard. The bigger companies, such as General Electric, Westinghouse, R.C.A., employ many thousands of men.

Our problem in the electronics business is therefore one of setting up a business in the maritimes to compete on a cross-Canada basis when the object of the competition is usually a small black box and its transport cost is normally very light. In this we are different from many maritime industries; and it was suggested that it might be of interest to you, sir, and your fellow commissioners to hear of our experiences.





First of all I think I should say we came here because the parent company, when looking for a place to open a manufacturing industry in Canada, was attracted by the very active desire of Nova Scotia to introduce secondary industries. The company was given practical assistance in settling here, and has continued to be given practical assistance and help in the many ways in which a benevolent government can assist a new company.

THE CHAIRMAN: Would you like to indicate those ways?

MR. CARTER: The immediate thing of value was that the province of Nova Scotia offered us facilities to meet the city of Halifax, to use their influence with the city of Halifax to find manufacturing premises for us at a very reasonable rate and with reasonable tax concessions.

The second was that the province of Nova Scotia agreed to take up some company debentures to provide working capital at a time when the export of capital from the United Kingdom was extraordinarily difficult, to say the least. Those are the two main practical points.

THE CHAIRMAN: Those are two very tangible things.

MR. CARTER: Very tangible indeed. We also considered that there were a number of further assets, which I might list.

First of all we believed the climate is perhaps as good as exists in Canada, from the point of



getting work out of people all the year round. Second, we were very attracted by the availability of a large labour force, not many of them skilled in electronics and in the detail of precision type of work needed for the electronics industry, but nevertheless the possessors of an inheritance of engineering going back two centuries.

The parallel was very plain to a United Kingdom company which has found, for instance, that in the Glasgow area in southern Scotland, which is an area traditionally devoted to shipbuilding, heavy industry and so on, it was very easy for Rolls Royce to set up and make jet engines in almost no time at all. A company like I.B.M. recently set up a factory and used that type of labour. So we have had a certain amount of experience of the fact that where there existed traditional industrial skills in the form of engineering, those skills could readily and easily be converted to slightly different things. We believe we have proved that over the course of the past several years.

We also believed that it was inevitable that Canada should decentralize to some considerable extent. I was not a member of the parent company at the time, but quite possibly and I think quite certainly at the time, in the United Kingdom in particular, as a result of the last war, decentralization became a matter of great importance. With the advent of the atomic bomb and the hydrogen bomb, people in the United Kingdom started thinking in terms not only of decentralization within the United Kingdom, but of decentralization throughout the commonwealth.





That may have been one of the reasons we came here. It was easy to see that decentralization was an act of strategic policy in the United States, and still is, particularly for key defence industries. It seems quite certain that this trend must continue in Canada for purely strategic reasons.

I think it also seems equally certain that with the experience, shall we say, of the big cities of the world -- London, New York, and places like that -- there is eminent desirability in decentralization for social reasons. Big cities tend to get unworkable after they grow to a certain size. I believe it true to say that one in every eight persons employed in London is engaged in the business of transporting Londoners or their goods, which is a considerable overhead on the big city.

Apart from that, I think we recognized the very considerable advantage of being in an area where there were considerable defence establishments. To a defence engineering company very interested in research development, such as we are, this in itself constitutes something of an attraction.

When we came we had the choice of developing in a number of lines. Roughly speaking, in the electronics business, one can go in for, if you like it, the wide range of government equipment -- transmitters for your airways; transmitters for airplanes; receivers; azdic sets; radar sets and all that sort of thing, both civilian and defence. One can go in for industrial electronics, or one can go into the entertainment business,



or one can do all three.

If you are starting off, as we did six years ago now with five men, and have no national distribution network, the entertainment business is not suitable as a thing with which to start. It utilizes immense amounts of capital, and calls for a very competent distribution system, while actually it utilizes very little engineering.

In the actual construction of a television set, for instance, the labour is something like 16 per cent of the cost of the parts, so there is very little engineering involved in that type of work. It becomes much more a merchandizing operation, a matter of buying your parts in the cheapest market and selling them for as much as you can get.

We therefore decided to concentrate initially on the market which is perhaps the easiest to break into, which is the government market, starting initially on the simple business of answering tenders and getting work by being cheaper and certainly as good as the next chap.

We have found over the course of the years that we are a competitive industry. We can compete and we can do good work on open tender, and do it at a profit. This, I think, makes one point quite clear; that one can operate this industry down here.

In order to look a little bit further ahead than just the bare business of acquiring something to produce, we decided to do something slightly different in connection with the Canadian electronics industry that grew up during the war into a very large productive





operation, but with very slim resources in the research and development field.

Before the war, research and development mainly went on in the United States and the United Kingdom. We therefore decided that we would make our particular shop window something that nobody else had been in much longer than we, and something on which the background of our engineers could help us. So we made a particular effort at doing advanced types of design and development work for new equipment.

We believe we have been very successful in this respect. We have developed complete in Halifax here, I suppose -- I have not listed them -- about eight or nine major pieces of equipment, two of which are unique in that they are two of the first pieces of equipment which Canada has produced solely from its own advanced research resources in order to meet what it believes to be a special demand by the Canadian forces.

These are occasions when the Canadian defence research field has separated itself off from either adopting a United States idea or a United Kingdom idea, but has gone ahead on its own and caused something to be developed.

I think it says much for the wisdom of the authorities that a relatively new and a relatively small company should have had the opportunity to undertake both these types of work. One of these types -- I cannot speak about them any more closely than just as jobs -- possibly originated because we were down here.





the other originated purely on the basis that they wanted some Canadian electronics company to do it, and we happened to possess the right skills.

It is, however, worth remembering that in this area there are a considerable number of defence research establishments, army development establishments, and advanced thinking establishments, if one might put it that way; and that these organizations themselves, such as naval research, for instance, have on a number of occasions said that they need electronics support from a local company, that if there was not one there they would like to see one set up. So I think we did fill a need in coming down here.

In the course of living down here we have discovered a number of difficulties, some of them peculiar to our position down here. I have listed those things in my paper, and perhaps you would like to look at them later.

The type of point we have raised is this, for instance; that we would like an improvement in air services. This is very vital indeed to us. If one is doing design and development in combination, for instance, with the National Research Council in Ottawa, it is necessary to maintain really close liaison. This means visits either way; and the present air services, which all terminate at Montreal where you then wait until you join virtually a different airline to go to Ottawa and Toronto, cause great delay. We would like to see through schedules to Ottawa and Toronto.

We believe there are one or two other things



which might quite possibly make a considerable difference to a local company. As an example I would quote the centralization of buying power in Ottawa. The local Department of Defence Production appears to be unable to let a contract, even on a tender basis, if it exceeds \$5,000. This means that even on the most trivial type of work the matter becomes one which must be referred to Ottawa; which must go through an immensely long machine, and quite possibly eventually come back to Halifax.

Some decentralization of buying power would, I am quite sure, be an immense stimulation not only to us but to all kinds of industries like us. There is a lot of industry down here, small industry, and some decentralization of buying power purely as an administrative measure would be of immense value.

It would also cut out one of our most extensive overheads, which is actually the game known as beat the corridors in Ottawa. This costs us, in one way or another, between \$20,000 and \$30,000 a year.

THE CHAIRMAN: It might cut out some overhead for the government too.

MR. CARTER: It could easily do that. We do not want to see Ottawa obliterated; very obviously we like to think we are very good friends with them, and that we are well thought of there; but we are quite sure it would help local industry, not only our own but quite a lot of smaller companies, if there were further decentralization of purchasing power.

This does not only refer to the Department of Defence Production. There are other departments --





Transport, Mines and so on. They are all interested in the things we have to sell. The products of our particular industry tend to be very expensive, so one reaches these rather low price levels very quickly.

I think that is about all I have to say, sir. I have covered a number of points more fully in the exhibit I have entered.

Perhaps I might wind up by summarizing what I have said. First of all we came here for overriding reasons which appeared at the time to be good, and still appear to be good. We have made, we believe, a success of our operation. We have grown from five employees to just under 200 people in six years; and 200 people are a reasonably considerable size in this particular industry. It is not large, but it is reasonably big.

We are competitive with other companies throughout the rest of Canada. We have shown that we can turn out first class production and first class design and research with people who were already in the maritimes, products of local schools and universities; and we felt that our experience might be interesting to you as members of this commission.

If we were to add one further thing I think we would feel that to the extent this commission could assist or help in any general growth of industry in Nova Scotia, or even in the co-ordination of existing industry and the streamlining of it to do more decisive and more clear-cut types of activity, to that extent I think we would all benefit.



Industrializing an area, of course, is always like the problem of who is going to bell the cat. For instance, we find ourselves carrying out processes in our own small plant which we would not dream of undertaking in a bigger industrial complex. So to the tune that the existing plants in Nova Scotia can be considered as a whole group, as an industrial complex; to the tune that they can be stimulated by a positive and sustained approach, to that tune I think Nova Scotia industry as a whole will not only grow remarkably fast, but will thrive.

I am quite sure that this area of the country will be industrialized within the next ten to twenty years. In many ways it is a crossroads between the east and the west.

I thank you.

THE CHAIRMAN: Thank you very much, Mr. Carter. There is one question I should have asked this morning or yesterday, but perhaps you can answer it for me. Is there any organization here, or is it the Department of Trade and Industry, that is responsible for encouraging secondary manufacturing industry to come to Halifax, or to Nova Scotia, similar to the industrial commissions of other places? For instance, Toronto set one up in the twenties which undoubtedly has had a great deal of influence in bringing industry to that city.

MR. CARTER: In our particular case it was the Department of Trade and Industry, and we hope the new Atlantic Provinces Council is going to take





some quite active steps to speed up this industrialization process. But to the best of my knowledge, at the moment there is no special organization such as exists in other parts of Canada, other than the very active work undertaken by the department. The department is very active.

MR. STEWART: How is the initial contact made there?

MR. CARTER: I could not say for the life of me. I joined this company only three years ago.

MR. STEWART: I was wondering how people get together in the first stages?

MR. CARTER: I couldn't say. I know it happened, but how it happened I do not know. I understand that my president was an acquaintance of the late Angus L. MacDonald, and I do know there was an historic breakfast over in the Chateau Laurier, but that is all I know.

THE CHAIRMAN: You mentioned that one of the things that would help industry here would be the development of direct air services say from Halifax to Ottawa and on through. I suppose everybody in the country feels the same way about it, and I suppose also that the development of the air services over the last ten years has been very great. We all still complain about it, but the fact is that it is easier to get around now than it used to be. But do you think that is a particularly important point to somebody like yourself, that you encounter this delay in making reservations at Montreal if you want to go on to Ottawa?





MR. CARTER: As far as I personally am concerned, I travel up to central Canada on the average of twice and sometimes three times per month. The most notorious feat I have performed was actually being in Ottawa, coming down to a meeting in my own plant with some government officials, and then leaving to go back to another meeting in Ottawa the next day.

There are very real difficulties in the present concept, whereby the maritime air services all converge on Montreal and stop there. There is a tendency for connections to be very poor, in that services from Montreal west are considered against the Montreal east problem. Obviously it is desirable to consider whether or not a service should stop at Montreal. If service could be provided which would go to Montreal, Ottawa and Toronto without changing its flight number, it would be of considerable advantage. After all, Toronto is still in the business area of Canada. It just does not start and stop at Montreal. We are interested in selling in the Toronto area. We maintain an office there, and it is very difficult to get there from the maritimes.

THE CHAIRMAN: Would you like to develop another point you made, about the importance of people like yourself being able to deal with the representatives of the federal government purchasing departments on the ground in Halifax, so to speak, rather than having to go to Ottawa? Are there enough orders that could be placed here that would be of interest to your company to make a big difference?



MR. CARTER: Oh, I think so.

THE CHAIRMAN: I think so, too, but I must admit it was a leading question.

MR. CARTER: There are a large number of jobs that grow up around almost any large group of military establishments, such as for instance the installation of new antenna facilities in a different part of the air field; the actual installation, running up and testing of new transmitters or a new radar set sent down by somebody. Very many of these jobs obviously should be competed for. I am not trying to direct all this work to us; but it is fairly true to say, I think, that if you have two competent firms, the one on the spot always does it cheaper. It is equally true to say that if you are getting this business in Ottawa the one on the spot will more frequently get it.

For instance, a thing that causes us a little annoyance is this. From time to time we find advertisements in the local papers by scavenging personnel managers from central Canadian companies inviting our engineers to come and interview them at the Lord Nelson. Then we find these chaps posted right down here, that they have a job in this area.

So I think this routine work, the work on which you live, more or less, should be let locally to a much greater extent than is the case when there is not so much financial authority here.

I do not think one could ever easily let the more complex jobs, calling for large design and engineering considerations. You could not spread out





your very limited number of government engineers sufficiently broadly to cover the advanced type of work. But you could do a lot of the routine type of work on the spot, and it could be let on the spot through competition in the local area. We believe this would be of considerable help, and it would tend to result in a lot of work that is actually being done here being done by maritime companies and maritime people instead of people dropping down from Montreal or Toronto.

THE CHAIRMAN: On the basis of your experience here, if you were starting over again would you locate here or in some other part of Canada?

MR. CARTER: Looking back at it, I think we would say, well, why do you have to carry two crosses at the same time; one, the business of starting in a new country, and one the business of starting in a semi-industrialized province? Having gone through it now, we are quite happy. Here is where we are and here is where we want to stay. We find not only that we can get skilled labour; we find in fact that we are wearing away the tradition that you do not send this job down to the maritimes because it is too difficult. In fact, we think we have not only worn it away; in some respects we think we have ridden a couple of trucks through that policy in the last year, and we are quite content with where we are. We believe this is where we should stay.

If at any time -- for which we certainly have no plans -- one wanted to make something that was particularly for a large central market and which was extremely heavy to freight, then economic considerations



either rule it out of manufacture here, or you have to do it somewhere else.

THE CHAIRMAN: That would not be along the line of your own company's present activities, though, would it?

MR. CARTER: Well, for instance, we could have set ourselves up in radio transformers. Our own parent company has an immense wealth of knowledge of transformers, and this was a very obvious field to undertake in Canada in that there is only one Canadian radio transformer company. Some time ago the owners of that company actually got out, but then had to go back in because the company got into trouble.

MR. STEWART: Who is that?

MR. CARTER: It is a company in Guelph. As I say, there is only the one serious manufacturer in Canada; but that could not be done here. One would have to truck heavy copper wire down from central Canada and then after the transformers were made up here would have to truck them back again, and that is not practical. That type of thing is not practical at present freight rates.

THE CHAIRMAN: When you say "truck" you mean what?

MR. CARTER: I mean rail truck. We would very much like to see a decent road condition and some decent trucking companies. We know it is general experience in the electronics industry that movement of electronics equipment by road considerably reduces damage. This is general experience on a world-wide





basis, and our damage problem is considerable on the railroads. It is very considerable. I can give you an example of one recent shipment, in which some four out of twenty instruments had to be sent back for re-manufacture.

THE CHAIRMAN: At the expense of the railroad, I presume?

MR. CARTER: Yes, but with some customers disappointed and annoyed. We would much prefer to use road transport if we could.

THE CHAIRMAN: What stands in the way? Is it the highways themselves that are not completed between here and Montreal, say, or is it lack of trucking companies?

MR. CARTER: I don't know. I guess it is probably a combination of the highways. The one in parts of New Brunswick can be rather bad at times of the year. Once you get into Nova Scotia you are on good pavement, but the New Brunswick roads are poor.

I think that is the answer why there is not regular trucking. Quite possibly another answer is that there are not enough reliable loads. I just do not know enough about it. All I know is that we have tried to find trucking facilities, and have been unsuccessful. We can get them on an individual order basis, but we cannot get them to call every Monday and take away whatever we have for them.

MR. GRAUER: Would you say the manufacturing opportunities in this area were chiefly related to the defence effort?





MR. CARTER: To a great extent, at the moment. We can sell a fair number<sup>of</sup>/items of a non-defence character. We are starting to concentrate on this side of the business at the moment, and we find that our local labour rates are sufficiently good to enable us to compete on commercial type equipment in the central Canadian area. Over the past few months, for instance, we have run as a small experience a few high fidelity amplifiers and other equipment. This is high-cost equipment, calling for a fair amount of skill in the engineering; and we find that we are competitive with the equipment, funnily enough not only of Canadian manufacturers up there, but with landed British equipment.

THE CHAIRMAN: What is the tariff on British equipment?

MR. CARTER: It is a very complicated thing, depending on whether you sell the loud speaker with it or whether you sell it as a radio tuner. The industry is currently sorting this out with the department of custom and excise. You have to tell the chap you will not sell him the loud speaker. He puts in another order for that; otherwise he attracts excise tax on the lot.

MR. GRAUER: Then you are looking forward to the growth of an industrial complex here within the next fifteen years --

MR. CARTER: We would like to see it come quicker than that. We believe the essential base for it is here, if full consideration is taken of the existing



manufacturing capacity in the area.

As an example, we have across the road Fairey Aviation. We have another aircraft plant in Amherst. We have a number of large mechanical engineering plants in the area, some of them possessing considerable skills. They have manufactured lathes and machine tools in this province when there has been a market for them.

There is no lack of skills. It is our experience in the area that one can let sub-contracts for almost anything, if you have any sub-contracts to let. We would like to see the government, when it has some really major contract to let which spreads across more than one company, aim at letting a prime contract down here to one of the bigger companies, which in itself would tend to make the industrial complex down here shape itself for manufacturing.

As a hypothetical case, if a guided missile contract were let to Fairey, without any question at all the mere existence of a guided missile contract would mean that in the end Fairey would obviously grow much bigger, and it would end up in our doing a variety of sub-contracting of a specialized order, which in this particular type of activity the aviation firm normally calls on a specialized electronics firm to do. It would provide work such as sheet metal stamping work, for instance, for some years to the whole of Nova Scotia.

It is quite possible that after that one major contract you would introduce the idea that you





could hand a really major job to Nova Scotia. If it were a major job, and if it showed any signs of living for three or four years, all these companies which now tend to act independently and to be very self-sufficient; which tend to be prepared to bid on jobs as different as making refrigerators and then over to ships' machinery -- they are all keeping themselves in this industrial situation because they have large facilities, usually set up during the war or against some particular trade. They have not had, apart from wartime, any guaranteed understanding that a certain pooling of work of a particular type would go to this area.

Against that, I am quite sure a lot of us would change our method of operation. For instance, we would do away with our plating operation, and say let us have one plating plant in the town. Instead of me having a couple of chaps playing around with pipettes and calling themselves semi-chemists, we might have a firm which would do our chemical work for us.

There are all these things. I think as individual companies we are all trying to be too self-contained so we can go for almost any job that is thrown into this area, or even go out to the rest of Canada and pull one off up there.

We would also like to see at the very least a real effort made to call for sub-contracting work to be done on a geographical basis. At present when the Department of Defence Production lets a large military contract it is the practice to say, for instance, that possibly 70 per cent of the value of it



shall be sub-contracted; but that tends to stay right within the particular industrial complex in which the prime company lives.

We find that while the government is quite prepared to trust us with major work in Halifax, seldom if ever will a company let you have a sub-contract down here. They prefer to do it with George down the road. One cannot blame them; but there would be some fruitfulness, I think, arising from a request that on these bigger jobs the government should say, "You shall sub-contract 70 per cent, and you shall also sub-contract some of it on a geographical basis." The skills are here, but at the moment the opportunity does not occur.

THE CHAIRMAN: Thank you very much indeed, Mr. Carter. We are very grateful to you.

--- At 4:10 p.m. the commission adjourned.



Friday, October 21, 1955.

--- The commission resumed at

10:00 a.m.

Appearances: Mr. L.A. Forsyth, Q.C., President,  
Dominion Steel and Coal Corporation;

Mr. Ben O'Neil, Secretary,  
Nova Scotia Federation of Labour,  
President, United Steel Workers  
of America (Sydney, N.S.);

Mr. Tom McLachlan, President,  
United Mine Workers of America,  
(Glace Bay);

Mr. Steve Dulhanty, Vice-President,  
United Mine Workers of America,  
(Glace Bay);

Mr. J.K. Bell, Secretary-Treasurer,  
Maritime Marine Workers (Halifax, N.S.);

Rev. Dr. M.J. MacKinnon, Director of  
Extension Department, St. Francis  
Xavier University, Antigonish, N.S.

THE CHAIRMAN: Well, gentlemen, shall we  
come to order? We are to hear from Mr. Forsyth, president  
of the Dominion Steel and Coal Company. Are you president  
and chairman, Mr. Forsyth?

MR. FORSYTH: No, I have a chairman. I am  
just president.

THE CHAIRMAN: Would you like to start the  
ball rolling this morning?

MR. FORSYTH: Yes, Mr. Chairman. First I  
would like to say that I brought with me a number of the  
operating executives of the corporation in Nova Scotia;  
Mr. Anson and Mr. Gordon; Mr. Appleton, vice-president in  
charge of coal sales, and Mr. Nelson, general manager of





the Halifax Shipyards. I thought it well to have these gentlemen here so that later on, if you wish to ask some questions, probably you will get more accurate answers from them than you would from me.

In making this first presentation I deal entirely with coal operations. I have also prepared two other chapters, so to speak, of this brief, one dealing with our steel operations in the province and the other with the matter of transportation as it affects our industry generally. The material I am going to use in that connection will be here very shortly, I believe. Meantime with your permission I shall go on.

In regard to all the written material I am submitting here, I want to say it may appear to you, as it does to me, to be a sort of patchwork composition; but that is almost inevitable when you have to obtain the views of a great many people and coalesce them into one document. We hope you will allow us later to submit a more detailed submission, and perhaps one that will be wider in its scope. Certainly I think the corporation should put before this commission the details of its operations elsewhere than in the province of Nova Scotia.

Now dealing with the matter of coal, the Dominion Steel and Coal Corporation, Limited, controls coal companies operating in three areas in Nova Scotia. On Cape Breton Island the Dominion Coal Company, Limited, and the Old Sydney Collieries Limited operate in the Sydney coal field. The operations of the former lie to the southern side of Sydney harbour, while those of the latter are confined to the north side. The Acadia



Coal Company, Limited, operates in Pictou county in Stellarton and in Thorburn, while the Cumberland Railway and Coal Company operates in Springhill in Cumberland county.

Of these operations the Dominion Coal Company is by far the largest. In recent years it has produced approximately 3,500,000 tons of coal annually, this tonnage being about 750,000 tons less than pre-war outputs; the Old Sydney Collieries produce approximately 750,000 tons annually, a tonnage 10 per cent higher than pre-war outputs; the Cumberland Railway and Coal Company produces 650,000 tons annually, the approximate pre-war figure, while the Acadia Coal Company produces 400,000 tons annually, an output slightly below pre-war outputs.

These companies give employment to 11,100 people and well over 100,000 people are dependent for their livelihood on the operations. In addition to those who are dependent on the production of coal many others depend for their livelihood on the transportation and distribution of the product.

The importance of these coal companies to the economy of Nova Scotia can be realized from the following statistics:

For the year 1954, the last full year of operations -

Wages amounted to	-	\$35,409,565.00
Pensions paid to 1,835 pensioners	-	1,140,094.00
Services purchased, such as water and electricity	-	1,907,299.00
Materials purchased	-	9,334,599.00





Freight charges paid to railways other than wholly-owned railways	-	\$3,579,526.00
Taxes paid	-	792,710.00
Royalties paid to the Nova Scotia government	-	578,892.00

In 1954, 41.3 per cent of the coal sold was disposed of as general sales in the Atlantic provinces, 44.6 per cent was disposed of in Quebec, while 13.9 per cent was used by the corporation's steel plant in Sydney. The small remaining tonnage was exported to Great Britain.

Unfortunately, the coal fields of Nova Scotia all present rather severe operating conditions. In Springhill the seams pitch steeply. They are gassy and the roof requires much support. Where pavement and roof are strong the workings are subject to bumps. Because of the existence of this danger special precautions must be taken in laying out the workings and large areas have to be left unworked altogether. The workings to some extent are troubled by faults.

The operations of the Acadia Coal Company are carried out under extremely severe physical conditions. Generally, the seams pitch steeply but grades vary sharply. The strata are contorted and are badly broken up by faults. The seams are extremely gassy, roofs and pavements are very weak and require heavy support and much maintenance. The coals are liable to heat spontaneously.

At Sydney the coal field is largely submarine and dips gently under the Atlantic ocean from outcrops which lie close to the coast line. Today



almost all the operations are carried on under the sea. The seams are gassy, roofs and pavements are weak and because mine openings cannot be made in the submarine areas distances from the pit mouths to the working faces have become extremely long. In some cases the underground transportation system extends over six miles from the mine entry. Those long roadways require much maintenance and travel time of employees averages almost two hours daily between the surface and the working faces.

These physical conditions have made it impossible for the companies to utilize much of the equipment which is available today for mechanized mining. Machines which have been used extensively elsewhere can only be used in those coal fields in a few small selected areas and even then cannot be used nearly so efficiently as they can be used where physical conditions are better. Many years ago because of adverse physical conditions these companies were driven to the use of the long wall system of mining, a system which has inherent in it costs which do not exist in the room and pillar system which can be readily worked where operating conditions are favourable. In the long wall system, roadway construction and maintenance, the maintenance of the long wall faces themselves and conveyor moving are all costly operations which are either non-existent or are much cheaper in the room and pillar system.

The collieries are well equipped and have always been supplied with the best machinery





available which could be successfully used under the conditions which existed. For many years the operations, with the exception of the loading operation, have been mechanized, although much of the machinery used close to the working faces was compressed air operated because of the danger of explosion caused by the use of electricity near the working faces in gassy seams. Improvements in electrical equipment within recent years have made it possible to utilize electric equipment close to the working faces with comparative safety. Much of the equipment now being installed uses electricity for its motive power.

Some years ago it became apparent that the operations of these collieries underground would have to be as completely mechanized as possible if minimum costs were to be obtained. No suitable equipment for breaking and loading coal from a long wall face under conditions existing was available. The Dominion Coal Company engineers, therefore, had to develop a machine themselves. This has been done and a machine capable of readily breaking and loading 100 tons an hour under normal operating conditions has been developed and proved. This machine is built by one of the associated companies of the corporation at Trenton. Eighteen such machines are now in operation in the mines of the Dominion Coal Company and several others will be put into operation in the Dominion and Old Sydney mines in the immediate future.

The design of other breaking and loading machines to work thinner seams or to produce a greater percentage of large size coal is now in progress in





order to permit the use of breaking and loading machines on practically every long wall face being operated.

The use of loading machines of such a type necessitates the installation of face conveyors capable of handling surge outputs delivered at one point. Until very recently no such conveyor which could be easily and rapidly moved over and which at the same time was economical in operation was available. A high speed armoured chain conveyor has recently been produced and this conveying equipment is now being installed on those faces presently equipped with loading machines. Other equipment to speed up the work of face maintenance and to reduce its costs is being installed and as the installation progresses working face costs are being sharply reduced.

In general, main line transport in these collieries is rapid and efficient. In some cases where contours permit electric trolley locomotives are used, while in others where the grade is too steep to permit locomotive haulage a system of rope hoisting in balance is utilized. Because of the distances involved and the large outputs handled some of the hoists installed underground are the largest hoists so installed in any colliery in the world.

In the past years subsidiary line transport has almost entirely been rope haulage. During the past few years rope haulage where grades would permit has been replaced by diesel locomotive haulage, because



of the economy, flexibility and safety to personnel of this latter type of haulage. Nineteen such locomotives are presently in service and others will be installed in the immediate future.

During recent years, then, the company has done much to bring about improvements which would result in lowering the cost of production. Loading machines have been designed and put into operation. Long wall face conveying has been improved and face maintenance costs have been lowered and the general transport system is being improved as rapidly as possible. At one colliery a tunnel 3,445 feet long and 18 feet wide has been driven in order to permit the doubling of that colliery's output, with a consequent sharp decrease in the cost of production. This tunnel, through which the coal is transported by belt to a wash plant, will go into operation within the next fortnight. The belt is of the cable type and is the first of its kind installed on this continent.

For the better preparation of the coal washing plants of the most modern type have been installed for the Acadia and Old Sydney operations, while a washery to clean part of the Springhill output was established some years ago. A large washery to handle the entire Dominion output is presently under design and construction of it will be started in the spring of 1956.

In order to hold and recapture lost domestic coal markets in the maritime provinces the Dominion Coal Company some years ago started a research





programme for the development of a high<sup>ly</sup>/efficient and convenient domestic hot water furnace. This research has produced, with much assistance from Bituminous Coal Research Inc. personnel, a range of furnaces suitable for the heating of any size of domestic establishment. The furnace is unbelievably economical, safe, clean and convenient and it provides a steady heat not produced by any other unit. The furnace is a hot water one only, but research is now under way for the development of a similar type of unit for hot air heating.

As the mechanization and modernization programme continues there is every reason to expect substantial lowering in production costs.

The coal produced by the Acadia Coal Company and Cumberland Railway and Coal Company is almost entirely disposed of in the maritime provinces. Those coal fields are quite well situated to supply such markets. The Sydney coal field, however, which supplies practically all coal shipped outside the maritimes, is just as badly situated as it could be to supply markets to which the coal is presently being shipped. To supply coal to the maritime provinces themselves, with the exception of Newfoundland, transport distances are at a maximum. It is only by water shipment and with government assistance by way of freight subvention that coal can be sold in the province of Quebec at all, because of high production costs and high costs of transport, for water transport cost to the St. Lawrence areas has tripled since pre-war years. There is little likelihood that the cost of transport



can be reduced to any appreciable degree.

The opening of the deep seaway through the St. Lawrence river into the great lakes will tend to worsen the competitive position of Nova Scotian coal in the Quebec area because the seaway will provide a cheaper means of transportation for American coal from lake ports to Quebec markets than can presently be obtained. We develop that a little further in the submission on transportation.

It is only for export business that the location of the Sydney coal field enjoys any advantage at all. This business, which was started in 1954, has continued during the present year and may well develop into a substantial outlet for coals produced in Nova Scotia. Once again, because of high production and transportation costs some freight subvention assistance is necessary to permit slack coal to be marketed in Europe.

The market for the products of the Dominion Coal Company, Old Sydney Collieries Limited, Cumberland Railway and Coal Company and the Acadia Coal Company divides itself rather conveniently into three principal groups.

First among these I should mention what we frequently call intercompany transactions. As coal consumers we include in this group the steel plant at Sydney, the seaboard power plant, the ships and railways operated by our subsidiaries, the collieries themselves, colliery employees, the Pender plant at Saint John, New Brunswick, the Eastern Car Company at Trenton,





the ore mines at Wabana and limestone operations at Aguathuna, the two latter being in Newfoundland, of course. The total consumption of coal by these various units amounted last year to 1,221,000 tons.

The second consuming area is that of the Atlantic provinces in which, exclusive of intercompany transactions, we sold last year approximately 1,600,000 tons of coal.

The third consuming area is that of Quebec and eastern Ontario where the total tonnage marketed last year was approximately 2,400,000 tons.

It should be pointed out at once that on every ton of coal sold to Quebec and eastern Ontario a subvention on water-borne coal not exceeding \$3 per ton is required to make our product competitive against American coal in this market. In addition, on coal railed to certain points in Quebec and eastern Ontario from our docks at Montreal the subvention policy provides an additional maximum allowance of \$1.75 per ton.

It is probably unnecessary to discuss at length before this commission either the philosophies or the detailed application of the subvention policy. Suffice it to say for the present that the application of subvention assistance is calculated in terms of Nova Scotia coal meeting coal imported from the United States on a basis of laid-down cost parity.

I have frequently described the subventions as a sort of affirmative protection assuring Nova Scotia coal a market in central Canada without depriving the central Canadian customer of the opportunity to have his





needs supplied from United States sources, the quantity of Canadian coal available being manifestly inadequate to meet the full demand.

During the past few years it can safely be said that no sales of available Nova Scotia coal have been lost to the foreign product where Nova Scotia coal could meet the requirements of the customer.

The future of these markets gives us justified cause for apprehension. Dealing first with the market in the Atlantic provinces, the declared policy of our railways makes it undoubted that within the next five years 400,000 tons of coal now taken by the railways will be lost to the Nova Scotia coal industry, by reason of the substitution of diesel for steam power. At the same time the competition of residual oil has over the years removed from our list of customers important industries in Nova Scotia and New Brunswick. Today our most important industrial customer, exclusive of intercompany purchasers, is hesitating between continuing the use of coal and the conversion to oil as its energy source. It should be definitely understood that at the present price of this imported product -- I am referring to residual oils here -- no possible achievement in the way of cost production can make our coal competitive. We are faced then with an almost immediate loss of 500,000 tons demand in this maritime area.

The question immediately arises as to what additional tonnage we might expect to gain from any anticipated activity in the area. Our own power



plants will, in the near future, require an additional 30,000 tons of coal and if, as might reasonably happen, some expansion in steel production became necessary, a maximum additional use of 200,000 tons of coal might be developed. Beyond that the only development that offers a prospect of retention of present markets seems to be the coal-fired gas turbine. This project, although it has been brought relatively close to satisfactory completion, will still require some two years before it can provide a demonstrator, that is, an operating locomotive on the line. Unfortunately it appears that it will come too late to head off the wholesale conversion to diesel equipment that the railways contemplate, and if it later takes its place in railway motive power, thus providing consumption of Nova Scotia coal, it will have to await a decision of the railways to replace the diesel by this more economical and more efficient transportation unit.

In the market to the west, namely Quebec and eastern Ontario, there are two threats to the coal industry. Perhaps I should say there are three. Here again residual oil presents a competition which Nova Scotia coal cannot meet without assistance. From this competition alone we apprehend that the next five years, or perhaps a shorter period, will reduce our market potential by 500,000 tons. Hydroelectric power affords also increasing competition in the Quebec area, and this is a source of power with which we are, and will be, I fear, unable to compete.

The third competitor is natural gas. This





product normally could not be transported from western Canada or United States sources and be sold in competition with coal for industrial purposes, and the experience of those now distributing the product will, I think, confirm my statement. However, in order to maintain volume in the pipe lines during the period necessary to develop the domestic consumers market, it seems entirely probable that natural gas will be dumped upon the Quebec market. If that proves to be the case the adverse effect upon Nova Scotia coal in Quebec and eastern Ontario will be catastrophic, but certainly not capable of accurate appraisal at the moment.

We find ourselves faced in our principal markets with the loss of 1,000,000 tons of production. One thing that we have done to meet this situation is to endeavour to develop other markets. Currently it appears reasonably certain that a market can be found in the British Isles for some 500,000 tons, but this market we cannot reach at current prices without subvention assistance. This assistance has in respect of trial shipments been forthcoming, but we are on notice from the government of Canada that any assistance provided in this behalf will be upon a descending scale, the onus being upon us as producers to bridge the gap between our cost and the available return.

Only two factors can be improved toward this end. First we must endeavour to obtain higher prices for the product, but having regard to the competition which we face from the United States in this market, and the known fact that the analysis of our



fuel falls somewhat short of the market's requirements; our ability to obtain the required increase in price is problematical. On the other hand, we are achieving substantial reductions in cost, and assuming that all other conditions remain as they are at present, we believe that we can and will achieve substantial reductions in the cost of production of our coal.

That is a very repetitive sentence, and what was intended to be suggested there is that we believe that by such increases in prices as we can obtain and the reduction in production cost that we think we can reasonably hope to achieve, we ought to get the subvention assistance required on the export business down to the very minimum, or perhaps eliminate the need for it altogether.

One way or another we would hope to be able to develop and maintain a market abroad for 500,000 tons of coal. That leaves a market deficiency of 500,000 tons which, failing some development not now foreseeable can only be met by a reduction of output.

It will be obvious to the commission that to obtain the lowest costs every colliery must be worked to the absolute limit of its output capacity. The obvious answer to this reduction in markets is the closing of another pit, a step which we would take reluctantly, but under economic compulsion it could not be resisted.

There is one possibility which at least requires immediate and thorough exploration. In the province of New Brunswick there appears to be a probability of a substantial demand for power. Hydroelectric resources of that province will not provide that power





economically. The answer, for the present at least, is thermal power. Varying estimates have been brought to my attention, but it seems altogether likely that within the next five years the power demand in the province of New Brunswick would represent some 600,000 tons of coal. Similarly, in the other three Atlantic provinces within that period perhaps 575,000 tons equivalent of power will be required.

In every location where thermal power plants are proposed to meet this demand, we have to face the competition of residual oil. Our officers calculate that to meet this competition under present day cost conditions we would require a subvention of approximately \$3 per ton. While I am not advocating the granting of such a subvention until the matter has been more thoroughly explored, it does seem to me that if such a tonnage of coal could be put into use for the purpose I have mentioned, it would certainly not cost Canada any more than would be involved in the movement of such a tonnage to the St. Lawrence area.

One question which requires careful consideration and a review of the present subvention policy is the desirability of maintaining a very important element in the economy of Nova Scotia, and at the same time providing additional employment in the Atlantic provinces, which might well result in increased population and increased industrial activity, the value of which to the economy of Canada might also well outweigh the cost to the taxpayer of providing such assistance as may be required.





I should not like this commission to be under any misapprehension as to the efforts that we have made, and are making, to discover new uses for our coal, and consequently new markets for it, or for resultant products of any new use of it.

To date the investigations which we have conducted and have had carried on for us have ended always at the insuperable obstacle of an excessively high cost of our coal at the pithead.

The foregoing is an attempt to deal in a general way with the present economic situation of the Nova Scotia coal industry, and some reasonable forecast of its immediate future. No doubt many things have been omitted which ought to have been brought to your attention, but we hope at a later date to submit a presentation which will be more elaborate in its detail and possibly wider in its scope.

Thank you, gentlemen.

THE CHAIRMAN: Thank you very much, Mr. Forsyth. We shall number this Exhibit 8.

MR. FORSYTH: Might I suggest that if the commission have any questions on this material, if they would care to put them now I can check up on where the rest of my material is.

THE CHAIRMAN: I wonder, Mr. Forsyth, if you could outline for us what the subventions are now?

MR. FORSYTH: At the present time we are receiving on coal shipped to Great Britain a maximum of \$2.30 per ton. You understand how the subvention is applied. They give you a maximum allowance; there are



certain conditions which you fulfil; and if you require the \$2.30 to get you into the market, you get that much, but you cannot get any more.

THE CHAIRMAN: I take it that you require it, though?

MR. FORSYTH: On the movement of coal by water to Montreal we have a maximum allowance of \$3 a ton, and the amount which we may obtain by way of subvention is determined by the yardstick of the laid-down cost of United States coal on the dock at Montreal. If, for instance, -- these figures have no relation to reality at all, but if we found that the laid-down cost of United States coal on the dock at Montreal was \$8 and the laid-down cost of our coal was \$11, we would get the full \$3 a ton subvention.

THE CHAIRMAN: How does it work out in practice; do you get \$3 or something less?

MR. FORSYTH: Usually I think we get something a little less than that. I do not think we usually require that total amount. Of late years, however, the cost of the coal has been up at the pithead, and of course the cost of transportation has become very, very difficult. It has increased very sharply, and there have been times when that \$3 would not actually allow us to come out even.

THE CHAIRMAN: Would you tell us what it averaged on your shipments to Montreal last year? Is it \$2 or \$2.50? How close to \$3?

MR. APPLETON: I have not the exact figures, but it would be nearly \$3. We required most of the subvention.





MR. FORSYTH: Then if we move that coal from the dock in Montreal to points in Quebec or eastern Ontario, where it has to meet rail-borne United States coal, a further subvention of \$1.75 a ton, which we call the back-haulage subvention, is available. Mr. Appleton can tell you better than I can how much of that we need, but I think we require pretty much all of it.

MR. APPLETON: We do not do as badly on the back-haul as on the water subvention. We did not require more than about \$1.25, on an average, on the back-haul.

MR. FORSYTH: To how much coal would that apply?

MR. APPLETON: That would apply to about a million and a half tons back-haul.

MR. FORSYTH: Out of a total of two and a half million?

MR. APPLETON: Yes, roughly.

THE CHAIRMAN: And is there any subvention on your sales in the maritime provinces?

MR. FORSYTH: No. For a time we did have a subvention on coal to Newfoundland, but that was discontinued during the current year.

THE CHAIRMAN: In practice, taking the total subvention of \$3 plus the \$1.75 or up to that maximum, how far west do you ship any substantial quantities of coal?

MR. APPLETON: Well, we do not ship any further west than Gatineau. Last year -- not this present year but last year -- we shipped as far as



Cornwall, but the subvention was not sufficient to cover it, so we had to back out of Cornwall.

Now the furthest place west we go is Ottawa, Gatineau and Hawkesbury. On some government business we ship to Petawawa but there is a special arrangement with the government under which Canadian coal gets a 10 per cent preference over imported coal, so that permits us on government business to get a little further west. But the tonnage in those areas is very small, not more than 50,000 or 60,000 tons. The total subvention was a little bit over \$4. That is the combined subventions. On the \$4.75 maximum it was slightly over \$4.

THE CHAIRMAN: \$4 on what you shipped into Ontario?

MR. APPLETON: Quebec and Ontario.

THE CHAIRMAN: That would be on two and a half million tons?

MR. APPLETON: Yes, about that.

THE CHAIRMAN: So that comes to roughly about \$10 million?

MR. APPLETON: Yes.

THE CHAIRMAN: The total subvention?

MR. APPLETON: Yes.

THE CHAIRMAN: Mr. Forsyth, how do your costs compare to those of United States coal? I suppose, apart from the tonnage basis, you would have to relate it to a B.T.U. basis?

MR. FORSYTH: I would prefer to have Mr. Gordon deal with that.





MR. GORDON: The cost of production at our collieries in Nova Scotia is a little more than double the cost of production in the competing fields in the United States.

THE CHAIRMAN: And that cost in Nova Scotia is what? What does it average?

MR. FORSYTH: We have no objection, of course, to giving the commission our cost figures, but I think perhaps we would not care to make them public.

MR. GRAUER: In this connection, are your possibilities for lowering costs through mechanization as good as, or better or worse than, those of the competing United States mines?

MR. GORDON: The physical conditions in our coal fields will never permit us to obtain a cost such as can be obtained in the coal fields in the United States.

THE CHAIRMAN: Mr. Gordon, you said your costs were a little more than double the costs in the corresponding United States fields. Is that for comparable coal?

MR. GORDON: Yes, for comparable coal.

MR. FORSYTH: And the coal fields in the United States to which Mr. Gordon refers are those with which our coal comes in direct competition.

MR. GORDON: That is right. You will find some coal fields in the United States where the costs of production are not nearly as low as the costs in the fields with which we are competing, where the conditions under which the seams exist are severe. The costs in those





fields are higher than their average costs; but you see, in the coal fields of Virginia and Pennsylvania, working under comparatively shallow cover, their physical conditions are good. The pavements generally are strong, the seams are flat, and you require very little roof support, so you can do almost anything you like and you can use almost any equipment you like. The system of mining is almost invariably room and pillar, and many of the costs that go with the long wall system of mining just do not exist under those conditions.

MR. FORSYTH: I think, Mr. Gordon, the commission might be interested in your ventilation problems at Sydney.

MR. GORDON: Yes. Our seams are gassy; our roadways are very long, and it is necessary for us to put very large quantities of air into the mines for ventilating purposes. It is not possible for us to drive a large number of roadways to allow this air to be coursed through the mines at low ventilating pressures. In one of our pits, for instance, we are putting down a quarter million cubic feet a minute under thirteen inches of water in order to ventilate the gallery.

There are no conditions existing like that in the United States at all. Even if you did put a quarter million feet of air down there, it would go down under a water depth of perhaps two inches or something of that order. The power required to do the job there would be infinitely less than it is in our galleries.



THE CHAIRMAN: When I asked the question -- I want to be clear on this -- about the comparison on costs of your coal and United States coal, what I intended to ask was whether the quality of the coal you were comparing here was the same as the quality of the United States coal, say the Pennsylvania coal that comes into Ontario, I suppose.

MR. GORDON: Yes, with one exception, and that exception does not mean anything as far as industrial consumption is concerned. Our coal is higher in sulphur than most of the United States coal.

THE CHAIRMAN: But that does not make any difference for industrial use?

MR. GORDON: No. For metallurgical work, yes.

MR. STEWART: There is an import duty on United States coal coming in, is there not?

MR. FORSYTH: Yes, there is.

MR. STEWART: How much is that?

MR. FORSYTH: It is 50 cents a ton.

MR. APPLETON: With the exception of metallurgical coal. If coal is brought in to be used in the manufacture of coke, there is also a drawback of 99 per cent, but everything else in the commercial field pays 50 cents a ton.

MR. STEWART: I am interested in your reference to affirmative protection, on page 9. I am wondering how far this can be generalized.

MR. FORSYTH: I think as a matter of fact that is a fairly good description of it. You see, if you attempted to put a duty on United States coal of the





order of \$4 a ton, of course that would enable us to put a price on our coal which would give us a reasonable return. But consumers, who use many times the amount of coal that we have available for sale in those markets, would be paying a terrible penalty. So this 50 cents a ton, as far as protection to Canadian coal is concerned, is nothing. It is a revenue item.

THE CHAIRMAN: Is that all it is?

MR. FORSYTH: Yes, a revenue item. It cannot be justified for any other purpose, because as far as protecting Canadian coal is concerned it obviously does not do it. What I figure the subvention does is to secure us a market for two and a half million tons of coal that otherwise would be supplied by United States coal.

MR. STEWART: Should the principle be applied to other coal producing areas in Canada?

MR. APPLETON: It is. They have the subvention in the west, too.

MR. STEWART: What is the subvention on western coal?

MR. APPLETON: It is on a different scale from the east. It is all rail business, though; I do not know of any water subvention. The maximum subvention, I believe, is about \$3 into the northern part of Ontario. I am told it is \$4 into the northern part of Ontario.

MR. STEWART: Is it determined on the same principle, that you take the cost at the producing point and the price in the market, and you equate them?

MR. FORSYTH: As far as I am informed the



principle is always the same; that the yardstick is the laid down cost of competitive United States coal and what you require to enable you to sell against that laid down cost is made up by the subvention.

MR. STEWART: There are great differences in the cost of producing in the western mines, however.

MR. FORSYTH: Yes, and I think probably the lower cost producers get less subvention. I think that may be the case.

MR. STEWART: Could the principle of affirmative protection be extended, say, to other sources of energy or heat, because after all coal and various other things are used for that purpose. So if you make an arrangement of that kind for coal, could it be applied to other sources of energy?

MR. FORSYTH: I suppose it could be. One of the things one always faces is that if the subvention policy is justified in order to help the coal industry of Nova Scotia, then perhaps it should be applied where we have to meet another imported fuel, namely the residual oils. We feel that if the philosophy is sound, or if the economics of the thing are sound from a national point of view, then it is only reasonable that it should be extended where it is necessary.

MR. STEWART: What about gas, then? On page 11 you argue that you could not transport gas from Alberta to the Ontario markets without dumping it there at less than cost.

MR. FORSYTH: For industrial purposes only.





For domestic consumer purposes that gas will find a good market in Ontario and Quebec; but while there is no subvention on the gas there seems to be considerable aid for its transport.

MR. STEWART: But that would be a reasonable proposition in terms of affirmative protection?

MR. FORSYTH: It might be. The question is what you are protecting it against. If you are protecting it against Nova Scotia coal then we would be adopting a new form of protection. The reason I call it affirmative protection is because it is protecting us against an imported product.

MR. STEWART: When we look ahead 25 years it seems very obvious that there will be very considerable changes. There will be a marked increase, I would think, in the rate of technological advance.

MR. FORSYTH: Oh, of course.

MR. STEWART: When changes of that kind occur, while in the long run and in the general sense we want them and they result in advance, inevitably they do hurt certain places. This is inherent in the process of change, I think.

MR. FORSYTH: I think that is true.

MR. STEWART: Is there any general principle -- perhaps there is not -- that we should adopt in the face of a changing situation of that kind in relation to those parts of the economy which are being hurt? Is there a consistent approach to that?

MR. FORSYTH: I have found it very difficult myself to determine what the consistent





approach should be. What we have found in two world wars is that the existence of this Nova Scotia coal industry has been really invaluable to the war effort of the country; and if it had not been for the fact that the subvention policy had been developed and applied, unless something else had been done I think we could not have had a coal industry in the last world war; that is, a coal industry of the magnitude that we required.

When the country is at war all this United States coal that is coming in largely dries up. They require the coal themselves for their war industry, and naturally the export of coal is reduced to the minimum. Local coal is used to the maximum, and that has been the experience of the country twice within my generation.

In presenting our case on coal to the dominion government we have on more than one occasion suggested to them that they should make some sort of economic appraisal of the value of this industry, even if it is only on a stand-by basis, and what they can afford to do to maintain it.

Of course you land at once in a very complicated and very confusing economic field when you start to talk about towns in which three or four or five thousand people live. If they are going to be wiped out as industrial towns because the industry is gone there must be a terrific capital loss to somebody, in fact to a great many people. That must put a tremendous burden on the economy of the municipality



in which the people live, the province in which the industry operates, and on the dominion government in unemployment relief and that sort of thing; and that leaves out of account, of course, a lot of what one might call emotional factors, the distress and hardship of individuals in circumstances of that kind.

One cannot stress it, perhaps, too much; but the fact remains that when you close down a colliery there is an immediate capital loss to the investor, of capital that is engaged in that business.

We closed down a colliery known as 1-B. Obviously we salvaged everything we could in the way of equipment from that mine, but what it represents in the way of capital that has to be written right off, dealing with it as being just a hole in the ground, I do not know. What would you say, Mr. Gordon?

MR. GORDON: Oh, it would be several million dollars.

MR. FORSYTH: There is no possibility of salvage in the mine itself. The equipment, yes; there is something you can save, but the minute you close down a mine the money you have spent in putting down your shaft, opening up the mine, making roadways and so on, that is all gone. It is not there any more.

THE CHAIRMAN: I do not want to change the subject, but what is the long-term trend in the cost of production, assuming you do go ahead with your mechanization programme?

MR. FORSYTH: We are quite satisfied and we are very optimistic about our ability to reduce those costs.





THE CHAIRMAN: Appreciably?

MR. FORSYTH: Yes. It is pretty hard to talk in terms of dollars and cents per ton, because you never know what other conditions are going to obtain.

THE CHAIRMAN: You really have to get your costs down against whatever you think your competitors' costs are going to be; and that does not just mean United States coal operators. It means the laid down cost of residual oils particularly, I suppose?

MR. FORSYTH: Yes. I think you can see this at once, that we cannot by any development that we can see now get the cost of our coal down to the point where it can compete with residual oil at the price we are told it can be bought for today. I think that is right.

MR. GORDON: That is true.

THE CHAIRMAN: Are you buying oil yourself?

MR. FORSYTH: We buy oil, but we cannot get it as cheaply as we are told other people get it. We do not want to mention any names, because the information was given to us confidentially, but it was given to us by a man who would prefer to use coal in a certain venture he contemplates rather than oil, for reasons of his own. He told us that he had an offer of oil at \$2.10 per barrel on a five-year contract. That is 6 cents a gallon. We cannot buy oil that cheaply for our own use in the steel plant at Sydney, and we buy a lot of oil; we are a pretty big customer.

THE CHAIRMAN: This oil comes from where?

MR. FORSYTH: Venezuela, I presume, most of it.



THE CHAIRMAN: And what is the differential? What do you buy it at, compared with the \$2.10?

MR. FORSYTH: We buy it at about 7 cents.

THE CHAIRMAN: I suppose there will always be differentials?

MR. FORSYTH: Yes; but one of the things I think -- I do not know how many people share my view -- is that this residual oil business is only possible because today virtually everybody has to buy the refined product, gasoline. I have always had the feeling that the man who drives an automobile is helping to pay for the fuel of the man who uses residual oil.

I do not know how true that is. I would like to see some figures on it, but so far I have not been in a position to get them. I may be in a short time, and then I shall know.

You are aware, of course, of the fact that the coal producers in the United States have agitated against residual oil imports. I do not know how much more effectively, but certainly they have agitated even more vehemently than we have. It is a great threat to coal in the United States as well as in Canada.

MR. GRAUER: Still looking ahead several years, as you know it has been suggested that the trend will be against coal as a fuel, with atomic power around the corner and perhaps other developments beyond that, but that in the future there is considerable promise for the coal industry in the use of coal as a raw material because of the chemical composition of the product. What are your views on that idea?





MR. FORSYTH: Well, I think that is right. I think the people who prophesy along those lines have a great deal of valid reasoning behind their proposals. To what extent that trend will benefit the Nova Scotia coal industry is a little more difficult to ascertain.

Ever since I have been connected with the corporation as its president I have been curious about those other uses for coal, and at one time I went into it very exhaustively. Some of the possibilities of products from the synthesis of coal were simply fabulous; they astounded me.

As you may know, usually these end products group themselves. You start one form of the synthesis or one procedure of synthesis to get a group of products; but what we found was that taking any group that we might be interested in, the original cost of our coal was so high that you could not get an end product that you could sell in a competitive market. It is true also that the capital cost of equipment for the synthesis of coal is very high, but I do not think that would be any stumbling block because in most cases if you have a product and a market in which it can be sold profitably you can get the capital expenditure gap bridged very easily.

MR. GRAUER: For the time being, the alternative sources of the supply of these chemicals are perhaps cheaper than Nova Scotia coal?

MR. FORSYTH: That is correct; and you will remember Mr. Gordon's statement that our cost of production of coal is in some circumstances over twice as great as that of coal in the United States.





Well, we could not go into the chemical industry with coal costing \$10 as against a fellow whose coal cost only \$5. It would not work.

MR. GRAUER: In the development of the United Kingdom market I believe you did some missionary work on the continent of Europe, too?

MR. FORSYTH: Yes, we did, and we have some prospect for the sale of our coal in Germany. The great difficulty we have in the United Kingdom market, and perhaps to a lesser extent in Germany, is the sulphur content of the coal. That has nothing to do with its use, I mean with its efficiency as a fuel, but in England, for instance, for centuries they have had a smog problem, and it is the view of their experts that higher sulphur content of coal makes that smog problem more difficult and perhaps more dangerous.

In Germany I think the proposition is perhaps a little simpler than that, but it is still difficult from our point of view. They can get coal from the United States with three-quarters of the sulphur there is in our coal, or perhaps less; so they say, "Well, when we can get that why should we take the other?"

That is the story on that.

MR. GRAUER: There is not much promise there, then, for a trend?

MR. FORSYTH: Well, I think we can get sales in Britain to the extent I have suggested, of perhaps half a million tons a year. I think perhaps we can get them in Germany, too; not in the same volume, but perhaps 100,000 tons, or something like that. But I



think it is only fair to our federal government to say that the question of assisting our coal to those markets is complicated by what we call GATT, the general agreement on tariffs and trade. I think that is one of the reasons the Canadian government said to us, in connection with our sales to the British Isles, that we must look to a day when we will have to get into that market without any help, because I think they find themselves embarrassed by the agreement made under GATT.

MR. GUSHUE: I have just one question. It is definitely established that the coal-fired gas turbine would be more economical than a diesel engine?

MR. FORSYTH: Oh, yes. I have some correspondence that Professor Mordell, who has headed up this project in Canada, has had with the heads of both large railway systems here, and there is not any doubt about it. They admit that once we get the coal-fired gas turbine in a satisfactory form, to use the expression of Mr. Donald Gordon, it will beat the pants off the diesel.

THE CHAIRMAN: But by that time he will have bought quite a few diesels, I take it?

MR. FORSYTH: That is what bothers us. Mr. Harold Gordon and I were discussing this yesterday. If we could get a locomotive on the rails within a year we believe we might do something to halt the conversion to diesels; but with a minimum of two years we do not believe it will be in time; and once these railways have made the tremendous capital investment which they must necessarily have made in the diesel equipment,





they are not going to scrap it, even for the economies of the coal-fired gas turbine. You will have to just wait until they are ready to replace that equipment.

THE CHAIRMAN: Would that coal-fired gas turbine consume roughly the same amount of coal as a steam locomotive?

MR. GORDON: No, it would not; but it would still consume a large quantity of coal.

THE CHAIRMAN: More than a diesel?

MR. GORDON: Yes indeed.

THE CHAIRMAN: Mr. Forsyth, you can appreciate that this commission is particularly anxious to hear anything of a constructive or helpful nature about the coal industry, which everybody in Canada recognizes as a major problem and which is something about which everybody in the country is concerned. I was wondering whether you would care to give us your own personal views or your company's views about the long-term prospects for the industry, and the specific measures which you think might be taken to assist it.

MR. FORSYTH: Well, any long-term view of the coal industry is full of ifs. We have always felt that we should get the size of our operation to the point where we could have a tidy and profitable operation. The demands that have been made on the industry from time to time for output have been such that we perhaps have a larger industry than is economical. How much larger again is a difficult thing to say.

I believe, however, that if the reasoning that lies behind the subvention policy is sound, the



Nova Scotia coal industry could be maintained at its present size with very little additional subvention cost to the government, if measures were taken to afford what is necessary to meet the competition of oil. I believe that if it were recognized as a principle of the defence economy of the country, if you like, that could be justified. Or if it were recognized as economic policy that power in the Atlantic provinces, to the extent that hydroelectric cannot meet it, should be obtained from coal and such assistance given as may be necessary to do that, then I think you could stabilize the Nova Scotia coal industry in that way.

THE CHAIRMAN: Let me ask you this. You used some such phrase as the measures which should be taken which might be necessary to meet the competition of oil. Do you mean you would shut out the imports of foreign oil?

MR. FORSYTH: No, I would not do that. I would if I could, but I do not think it would be feasible to ask that that be done.

I think what one should do is this. Here you have an imported fuel, the same as United States coal. Perhaps it is not the same as United States coal was at the time this subvention policy was laid down, but it is an imported fuel. It is a fuel that we suspect of being a distress product, so to speak. We believe that if coal were assisted to meet residual oil, in the same way that it is assisted to meet United States coal, then if a person wanted to use residual oil he





could do so.

THE CHAIRMAN: What sort of assistance would that amount to, in terms of dollars and cents?

MR. FORSYTH: It would mean about \$3 a ton at present levels.

THE CHAIRMAN: That is \$3 a ton in the Atlantic region?

MR. FORSYTH: Yes.

THE CHAIRMAN: Plus another \$3 in the Montreal area?

MR. FORSYTH: Well, it is not the same kind of coal. Oh, I see what you mean; that is if we were to meet residual oil in Montreal, what would be the subvention required.

THE CHAIRMAN: Yes?

MR. APPLETON: Approximately up to \$3.

THE CHAIRMAN: On top of the present \$3?

MR. APPLETON: No, because most of the oil we would be competing against would come in tankers that lie alongside the docks and pump the oil right into the tanks of the plants on the waterfront. Those would be the plants we would be hoping to get back from oil, and a subvention of \$3, or up to \$3, would cover that.

THE CHAIRMAN: As far as Montreal is concerned you get a subvention of up to \$3 against coal?

MR. APPLETON: Yes.

THE CHAIRMAN: Would this mean a total





subvention of \$3, or a total of \$6?

MR. APPLETON: No; \$3.

THE CHAIRMAN: So in fact the subvention you would require to compete against oil would be \$3 in the maritime market?

MR. APPLETON: That is right.

THE CHAIRMAN: Which I think was about a million and a half tons, wasn't it?

MR. FORSYTH: We have already lost to oil in this province --

THE CHAIRMAN: We are talking about something in the order of \$7,500,000. That is what I am searching for.

MR. FORSYTH: Right now we have one contract that we know about that is in jeopardy, for 100,000 tons, so there is \$300,000.

THE CHAIRMAN: But you cannot do it by contract, or on a contract basis.

MR. FORSYTH: I appreciate that. Now, then, the question arises in connection with the generation of power. In New Brunswick, for instance, they have a fairly substantial power plant in contemplation, and we have been discussing --

THE CHAIRMAN: And if something is not done they may use oil?

MR. FORSYTH: Yes, if something is not done with them they will be obliged to use oil, because the cost is substantially lower. There is one feature about that which ought to be mentioned, of course, in fairness to everybody; that is, that the question of



the cost of power arises in this. But with the subvention enabling coal to meet oil, then your power cost does not vary. It is just the same as far as the power user is concerned. The whole country absorbs the cost of the subvention.

MR. GRAUER: You have in mind the use of the subvention to retain your present market, rather than expanding it?

MR. FORSYTH: No. What I have in mind is this; that I think the only possibility of expanding our local markets -- that is in Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland -- is through thermal power generation. There under present cost conditions we cannot compete with residual oil, and we would require a subvention of \$3 a ton on the prices as they exist today. Our own belief is that the subvention would not require to be \$3 a ton, if and when we achieve the reductions in cost that we hope to get.

Of course one does not know what might happen with regard to the price of oil, but I think myself that the price of oil that has been talked about, such as the one I mentioned, is a loss leader price; that those prices are quoted for the purpose of getting a start. I do not believe anybody can go on getting oil at such figures as have been mentioned here.

Therefore I think in the end the subvention would probably be less than \$3; but as things now stand we would need the maximum subvention of \$3; and that, Mr. Chairman, if you will notice in the submission





I made, relates within the next five years to something within the order of nearly 1,200,000 tons.

THE CHAIRMAN: You said earlier that you were going to be kind enough to give us a fairly complete and comprehensive brief later on. I am sure the members of our staff will be in touch with your people later, and of course we will get the information which the fuel board and other government agencies have. So perhaps you might bring this section of your submission to a close at this point, and we might take a five minute break before going on.

--- Recess.

--- After recess.

THE CHAIRMAN: Shall we come to order, gentlemen. Will you continue, Mr. Forsyth?

MR. FORSYTH: I have handed to the secretary of the commission copies of the second submission, which deals with the primary iron and steel industry. If you will permit me, sir, I think I shall continue to sit down for this presentation.

THE CHAIRMAN: By all means.

MR. FORSYTH: I should also mention that you will find a certain amount of overlapping in these presentations, but it just could not be helped.

At Sydney, Nova Scotia, the Dominion Steel and Coal Corporation, Limited, through its subsidiary, the Dominion Iron and Steel Limited, owns and operates a fully integrated primary iron and steel works with an annual ingot capacity of 650,000 net tons. A brief description of the plant and its capacity is as follows:



Bituminous coal, mined in the Cape Breton area by associated companies, Dominion Coal Company, Limited, and/or Old Sydney Collieries Limited, is the sole source of supply for our coking coals. As received, the coal is washed, primarily to reduce the sulphur content, and incidentally to lower the ash content.

The coke plant proper consists of two batteries, comprising 114 ovens, processing approximately 17 tons of coal to produce approximately 11 tons of coke per charge. These two batteries, one built in 1948 and the other in 1950, are of the most modern type of design and construction.

The usual type of by-product recovery equipment associated with steel plant coking operations is provided.

Not usually found in such plants is a sulphuric acid-making plant, supplying the acid required for the by-product operations. The normal practice is for such plants to buy sulphur acid, but due to our long distance from a source of such supply, and our seaboard location permitting the transportation of elemental sulphur by water from the Texas fields, its manufacture adjacent to the coking operation results in lower cost of acid.

Three blast furnaces, two of 555 tons and a third of 400 tons daily capacity, are available. The two larger furnaces supply sufficient iron for our steel-making capacity.

The raw materials for these furnaces,





other than the coke already discussed, are iron ore and limestone, supplied from the company's iron ore mines at Bell Island, Newfoundland, and limestone quarries at Aguathuna, Newfoundland, respectively.

Steel-making facilities. These consist of three furnaces -- each of 190 tons tapping capacity, and two -- each of 135 tons capacity. These latter two are shortly to be converted to 190 tons. The furnaces are of the open hearth tilting type, fired by oil. There is also a 10-ton Lectromelt electric furnace.

The total ingot output from all these six furnaces, at 625,000 net tons yearly, is the measure of our plant capacity.

Ingot processing. A very small proportion of the total ingot capacity is shipped as such from Sydney to associated plants at Trenton, Nova Scotia, where it is forged direct from the ingot into a variety of large and small forgings.

The bulk of our ingot production is first processed in a 40-inch blooming mill of the most modern design and construction, its capacity being far greater than our present ingot-making capacity.

Approximately 60,000 tons of the bloom output of this mill is shipped to associated companies in Trenton and Montreal for further processing at those points. The balance of the output, approximately 465,000 net tons, is further processed in other rolling mills at the Sydney plant.





Rail mill. A 27-inch, 3-stand, motor-driven rail mill rolls standard rails, not only for the principal Canadian railways, but also for export to world markets. The railway connecting the Labrador iron ore deposits to the shipping port at Seven Islands is laid with Dosco 132-pound rail, and so our rails are carrying the heaviest wheel loads carried by any rail laid in the world today.

Rail tieplates are also produced on this mill.

This mill also rolls mine arch sections as used in Nova Scotia coal mines.

The Mackie retarded cooling process -- the most outstanding development in rail manufacture of the last 50 years, eliminating, as it has proved to have done, the breakage of rail in track caused by the presence of internal shatter cracks -- is a development of this plant.

Billet mill. Blooms are converted into billets on a 7-stand continuous type motor-driven billet mill. An appreciable tonnage of such billets are shipped to subsidiary operations of the corporation in Montreal for further processing there. Some tonnages find their way into the world export markets, and the smaller processing rolling mills at the Sydney Steel Plant use such billets as their raw material.

Rod mill. The rod mill, with an annual capacity of 135,000 tons, converts billets into rods; which in turn are, in part, further processed in the



wire drawing mills at Sydney; are shipped to other subsidiary companies in Saint John, New Brunswick; Montreal, Quebec; Toronto and Ojibway, Ontario, for further processing into wire and its products; and an appreciable tonnage is sold to other rod consumers, both in Canada and the export field.

Bar mill. A 12-stand, 10-inch merchant bar mill, with an annual capacity ranging to 100,000 tons, rolls round, flat and square merchant iron bars, also angles.

Wire and nail mill. Rods are drawn into many types of wire, and here again part is shipped as such to the ultimate consumer; other tonnages to customers in the wire drawing industry; other tonnages to our own subsidiary plants at the above-mentioned points for further processing; and finally, some 35,000 tons annually are converted in the Sydney mill into galvanized wire, patented wire, barbed wire, high carbon roping wire, etc., and nails of all sizes and shapes.

Auxiliary services. Associated with the above-mentioned operations are the usual services required for such operations, but in our case to a much greater and more varied degree than is normally found in the primary iron and steel industry. To illustrate this point, I might mention that we produce all our own electric power from blast furnace waste gases and pulverized coal. We make our own silica brick, ingot moulds, iron and steel brass castings. We have our own water supply.





Shops for the maintenance of the equipment in the plant are again more extensive and varied than is normally the case, all this being due to our long distance from the usual source of such services.

Our plant is situated on tidewater. It thus has the advantage of having its raw materials delivered alongside our own docks and, where required, can take advantage of water transportation to deliver manufactured goods to the market.

Comparison with similar industries in other parts of Canada. On the basis of annual ingot capacity, the Sydney plant ranks third of the four primary iron and steel plants in Canada.

One basic difference lies in the fact that the Dominion Steel and Coal Corporation, Limited, at Sydney, is the only Canadian primary steel producer which procures its principal raw materials -- coal, iron ore and limestone -- almost entirely from Canadian sources.

For its steel-making operations, Dosco procures its coal entirely from the mines of the Dominion Coal Company, Limited, a wholly-owned subsidiary of Dosco.

In this brief that is called a wholly-owned subsidiary of Dosco, but that is not quite accurate. We refer to it as an associate company, because there are some of the preference shares which are in the hands of the public.

THE CHAIRMAN: You own all the common shares, though?



MR. FORSYTH: We own all the common shares.

These mines are situated in Cape Breton, within a radius of 15 miles from the steel plant. Occasionally, but very seldom, small tonnages of coal are procured from the mines of the Old Sydney Collieries Limited, which is again a wholly-owned subsidiary of Dosco and operates coal mines across the harbour from Sydney in the north Sydney area. All other Canadian steel producers depend entirely on U.S. sources of coal supply.

The entire ore burden of Dosco's blast furnaces at Sydney is composed of Canadian iron ore. Until recently that supply came entirely from the corporation's iron ore mines in Newfoundland. Presently experiments are being conducted admixing a percentage of Labrador ore, in order to determine the economics of using that ore together with our own as a permanent type of blast furnace burden. Whatever may be the result of these experiments, steel produced by Dosco heretofore has been, and will continue to be, made from iron extracted from Canadian iron ore. The other Canadian steel producers use a mixture of Canadian and U.S. ores.

Limestone, the third principal raw material, in our case is also entirely of Canadian origin.

Products. As might be expected, the products produced by each of the primary steel producers are not identical. There are many products which we produce in common with some of the other





producers. We produce some products which are not produced by some of the other plants and, similarly, some of the other plants produce steel items which we do not make.

Self-sufficiency of Dosco's steel operations at Sydney. Customary practice in the primary steel industry, not only in Canada but also in the United States, is for steel works to depend on outside sources for many of the services which are required in the conduct of operations. Such outside services are not available within easy reach of the Sydney plant, with the result that our works must be much more self-sufficient than is customary in the industry. All this means that capital expenditures have had to be provided in the past, and will have to be provided in the future, for the generation of electric power, water supply, items of supply such as ingot moulds, silica brick, sulphuric acid and the like.

Maintenance of equipment has required the establishment within the Sydney plant of extensive facilities such as a pattern shop and foundry for the production of steel, iron and brass castings; a forge shop for the production of forgings; a boiler shop equipped to do almost any kind of boiler making and fabrication of structural steel; an electrical repair shop capable of handling almost any type of electrical repair work; and a machine shop equipped not only for day to day maintenance, but capable also of turning out major items of equipment.





The new blooming mill, completed some three years ago, is an example of the unusual type of work undertaken within our own service shops. The castings for the main housing of that mill were cast in our own foundry, and up to that time they were the heaviest castings that had ever been produced in Canada. The rough and final machining to relatively close tolerances was successfully undertaken.

In March of this year we had a serious breakdown in the gear reducing unit, through which a 3,000 horsepower motor drives our rail mill. To put this unit back into operation required a casting, in either iron or steel, some 13 feet in diameter and weighing approximately 19,000 pounds. To obtain such a casting from outside sources would have involved the mill being idle for nearly two months. By applying our own resources, available in our foundry and machine shop, we were able to produce the necessary casting and have the mill in operation within less than two weeks, all this at a time when the products of this mill were in keen demand.

Comparison in respect to location of markets for products. One of the principal features in comparing our Nova Scotia steel operations with other primary steel operations in Canada lies in the location of the plants in respect to the consuming markets for their products.

The other three primary steel producers are located in Ontario -- two of them in the heart of that province, in Hamilton, -- and are thus in close



proximity to the principal steel consuming area of Canada.

The maritime provinces are a relatively small steel volume consuming area. The entire maritime steel consuming market would be insufficient to keep our Sydney steel plant running for more than a few weeks per year.

To obtain a volume of sales sufficient to maintain anything like an adequate level of steel production, a large proportion of our production must be shipped into central Canadian markets and/or the world export field. I intend to deal further with this phase of our operating problems in my remarks immediately following, dealing with the advantages and disadvantages accruing from our location.

Advantages and disadvantages accruing from the location of our primary iron and steel industry at Sydney. We are situated in close proximity to the coal mines from which we procure our coal, within 360 miles and 180 miles by water from our iron ore mines and limestone quarry, respectively. On the face of it, this would seem to confer some advantage in respect to the supply of raw material, particularly when one is making comparisons with other industries in Canada situated many hundreds of miles from a coal supply -- which must be transported first by rail and thence by water -- and in respect to iron ore supply, again situated -- in some cases at least -- much further away than we are.





These advantages are much more apparent than they are real. Dealing first with the supply of these materials to the other primary iron and steel producers, we must realize that their coal comes from mines which are easily workable. The coal is thus available at the minehead at a relatively low cost. Those industries are able to draw their coal from fields in which is available the highest quality of metallurgical coal known in this world. They are able to select their coals and blend mixtures of different types of coal, so that the resultant coke is of the type most suitable for blast furnace practice.

Up to a very few years ago the central Canadian primary iron and steel industry was based on supplies of iron ore from the famous Lake Superior iron ore ranges. Most of this ore was easy to recover, principally by open pit mining, and thus was available at the iron ore mine at relatively low cost. In recent years some part of the central Canadian industry has developed Canadian iron ore mines to supply at least part of their requirements, and again the ore recovery is relatively easy. The deep sea waterways will make the Labrador ore, again an ore which is recovered by open pit mining, almost as easily available to the central Canadian industry as that ore is to our industry.

Turning now to our supplies of coal and iron ore, what do we find?

Our coal seams are entirely submarine,



reaching out under the Atlantic ocean for a distance up to five miles. There is no such thing as open-cut mining. There is no such thing as easy exploration of the deposit to predetermine quality. The more coal we extract, the farther out under the sea our workings extend, thus the transportation of that coal from the face to the surface becomes each year more and more involved. It should be readily recognized, therefore, that under no circumstances can such coal be delivered at the pithead at anything like the cost that it can be obtained from the mines aforementioned. The advantage of close proximity to the minehead, and the low transportation cost from that point to the steel works, is largely dissipated by the higher cost of mining and transporting the coal underground.

Coal seams in our Cape Breton coal mines have only one kind of coal -- a coal of very high volatile content -- and while such coal is ideal for normal industrial uses, it does not produce the type of coke that is conducive to the most efficient blast furnace operation. And so, once again, we find that the apparent advantage of proximity to the coal field carries with it corresponding disadvantages.

In respect to iron ore, very much the same remarks can be applied as have been set forth in respect to coal. Again we find that the deposit is a submarine one, that the workings extend out under the ocean up to a distance of some three miles, that easy, inexpensive, open-cut mining is not available.



Instead, the ore must be recovered by more costly mining methods and transported for long distances underground.

Quality also enters the picture. The Lake Superior iron ore ranges have long been known for their relatively high quality iron ore. The iron ore content of our Wabana iron ore is good, but not as good as lake ores.

So, once again, we find that an apparent advantage, arising from closer proximity to ore supply, is dissipated to a great extent -- first, because of the higher cost of mining, and second, because of the better quality of the lake ores.

It has often been publicly stated -- and it is a fact -- that due to its location at Sydney, the steel plant there is in an advantageous position to cater to the export markets of the world, compared with other Canadian primary steel producers. This is an undoubted fact. But that it carries any real advantage when making any such comparison is, to say the least, doubtful.

It is a recognized fact that to obtain orders for steel products in the world export markets, one is faced with competition from all other steel producing countries. Some countries, such as the United States, use the world export market from time to time in which to sell surplus available production, so as to maintain operations at a high level, even though invariably such steel must be sold by United States interests at prices lower than the prices





prevailing within their own country. There are other steel producing countries which cater to the export world markets for that same reason.

There are other countries where the steel industry has been built up on a foundation of which one of the principal parts has been the catering to world export markets. These countries are principally those within which a much lower standard of living prevails than does in Canada, where the cost of recovery of raw materials and the manufacture of same into finished products is accomplished at costs which make it possible for them to cater to world markets at a profit.

We in Canada, if we desire, or are forced, to sell our steel in the world export markets, must be prepared to accept prices lower than those prevailing within our own country. Thus, the primary producer, no matter how favourable his location is in respect to shipping into those world markets, who is through force of circumstances impelled to enter those markets in order to obtain a reasonable level of operation, is at no advantage; to the contrary, he is at a decided disadvantage when compared with another primary producer who can maintain his operations at a satisfactory level by selling his products entirely in the domestic market, and realizing thereby a higher dollar return per ton of product than can be realized in the export field.

Thus, an apparent advantage once again turns out to be no advantage at all, because the other



members of the Canadian primary iron and steel industry, under normal conditions, have no interest in the export market.

What are the disadvantages that are inherent in the operation of a steel industry located at Sydney, as compared to the other primary steel producers located in central Canada? The prime disadvantage lies in the abnormally long distance from that part of Canada wherein steel is consumed in large quantities.

It will be readily recognized that the principal steel consuming area of Canada lies in the southern parts of Ontario and Quebec. Two of Canada's primary steel producers are located in the very heart of this market; a third on its outskirts. This confers two prime advantages.

Deliveries to customers can be made sometimes within a matter of hours, and usually within a few few days. Advantage can be taken of alternate methods of delivery -- rail or trucks. The competition for business between these two methods of transportation is conducive toward low transportation costs. Trucking facilities offer the advantage of loading at the point of manufacture, and delivery, without intermediate handling, to the consumer's back door.

Lying within an area adequately serviced by two large railway systems enables one to take advantage of the competition thereby offered for the transportation of one's product.

Being situated in an area where steel





consumption, under normal circumstances, is of sufficient volume to maintain an adequate level of operation for a steel producer obviates the necessity, experienced by those not so fortunate, of searching for markets further afield, in which one is forced to accept lower prices for one's product than is available from the market immediately surrounding.

The situation in respect to the Sydney steel industry is very much at variance with the aforementioned picture. We lie over 1200 miles from the centre of Canada's steel consuming market. The volume of business available in the maritime provinces, our logical market, is relatively low. To maintain a satisfactory level of operations, we must obtain business in that central Canadian market and, in so doing, must absorb the higher cost entailed in the transportation of our products to that market.

During the last ten years, with the freight increases which have been put into effect during that time, invariably on a percentage-wise basis, this disadvantage has snowballed. It is, without question, one of the principal reasons for the failure of our maritime provinces to progress industrially in the same measure as we have seen achieved by the central Canadian provinces -- particularly in the heavy industry field, where transportation costs involved in shipping products to the consumer are a relatively high proportion of the cost of those goods to the consumer. The inevitable result is that industry operating within these provinces must accept a lower price at the



point of manufacture than is available to similar industries operating within the heart of that consuming market.

Secondly, the longer time that it takes to deliver materials to the customer, because of the long distance haul, is an obstacle always difficult to surmount, and quite often results in loss of business.

Finally, due again to the long distance haul, the use of trucks to deliver materials to the consumer is negligible. Heavy duty hauling in the spring time is forbidden by the rules and regulations governing the use of our highways and, in winter, with intensive snowfall over much of the route required to be followed to reach central Canadian steel consumers, truck haulage becomes an impossibility. Thus, we do not have the advantage that lies with others of the competition between truck and rail haul.

All this has forced our corporation to establish finishing plants within the central Canadian area. Those plants use primary steel produced at Sydney. This has helped overcome some of the disadvantages, namely, those in respect to being able to deliver promptly to a customer and take advantage of such alternate transportation problems as are available. However, the semi-finished steel used by these finishing plants is produced at Sydney, and it must bear the long-haul transportation expense inherent in that position.





Finally, under normal conditions, our Sydney operation must secure business from world export markets to maintain anything like a satisfactory level of operations. Almost invariably the return on such business at Sydney is lower than the domestic market yields to our more fortunately situated competitors.

Over the past fifteen years many millions of dollars and intensive effort have been applied to bring our steel-making facilities up to modern standards. This programme is still continuing. Our sales force are at all times alert and vigorous in the prosecution of their efforts to secure the volume of business that we require. Every technological improvement in the industry is studied and, where conditions permit, is adopted.

One simple, basic fact, presently inherent in the operation of a primary steel industry in Nova Scotia, must be faced by all those concerned in that operation.

Other primary steel producers are as alert as we are to the necessity for keeping plant and equipment up to date; for the necessity for research and to develop improved and less costly processes. We face the inevitable fact that until the maritimes attain a population which will require steel consumption of a volume high enough to consume our production -- or at least a very goodly part thereof -- the Sydney steel industry cannot receive the same number of dollars for its product at the point of manufacture as is available to the other Canadian primary steel producers.





THE CHAIRMAN: It is not only population; it is the kind of industrial activity that might take place in this area. It is not a question of population so much, is it?

MR. FORSYTH: Well, really, if you have that sort of industrial activity you will have the population. You would have to have more population here to have it.

The published figures covering the 1954 operations of one of the largest Canadian primary producers revealed that for every ton of ingots made the net sales revenue at the point of manufacture of those ingots was \$113.41 per ton. For that same period the comparable figure for our corporation is \$103.58. This reveals a lower return amounting to \$9.83 per ton of ingots produced. To put it another way, the sales revenue from ingots produced by our corporation net us 8.6 per cent less at the point of manufacture than the revenue from similar production at more favourable locations, -- and you only have to apply that to our total tonnage to see what it means in the way of revenue.

It is true that the net return per ingot ton varies with the type of product produced, but it can be broadly stated that by far the largest single item contributing to the lower return available from our operations lies in the consumption. Until such time as this condition can be altered for the better -- intensive growth of our maritime population is one thing which can bring that about -- then all those directly concerned in the production of steel in Nova



Scotia, the people who supply the capital, shareholders, bondholders, management supplying the "know-how", the actual producers, the men employed in the industry, all these people must be prepared to accept a somewhat lower return for their efforts than is available to those concerned in the production of steel at more favourably situated points.

The prospects for the primary iron and steel industry in Nova Scotia should be good if development is along the lines that would seem to hold the greatest promise for stability and growth under conditions as they exist today and as they are likely to continue for an indefinite period.

When the steel plant was established at Sydney, around the turn of the century, it was, presumably, with the idea that export business would play a predominant role in its affairs but, while this kind of business is still of importance when procurable, it is no longer possible to obtain the same regularity in the volume necessary for continuity of operation nor can it usually be secured at the price levels required for adequate profit.

Fifty-five or more years ago the standard of living in this country was lower in relation to that of European and many other lands than it is at present, in addition to which there were not the steel-making facilities in these countries that exist today, so it was possible to procure foreign business then where it cannot be obtained now, and costs were such in those times that it was more feasible economically to meet competition than is the case





in our day.

In the interval, represented by the last half century or so, the standard of living on the North American continent and in Canada has risen to a point, with correspondingly high wages, where costs here must of necessity be substantially in excess of those realizable in countries like Britain, for example, where wages are approximately one-third of ours; or like Germany where they are still less; or like Japan where there is really no comparison between the respective wage levels.

As a result it has become extremely difficult, and often impossible, regularly to sell steel to Europe and foreign countries or to compete with many of them in world markets. As a matter of fact it is difficult on occasion, especially in times of plentiful supply, to compete with them even right here at home, as became painfully apparent last year and the year before when nails and barbed wire -- to mention only two products, and low-priced ones at that -- came into Canada in no inconsiderable volume from Britain, Europe and Japan at prices which we were unable to meet cost-wise, though we reduced our prices on nails by 65 cents per 100 pounds or \$13 per net ton in an effort to cope with the situation.

With the export market either inaccessible or difficult of attainment, the Sydney steel plant must now rely, in the main, upon the domestic market which, because of limited consumption in the maritime provinces, means that it must seek an outlet for most



of its production in central and western Canada.

In order to reach central and western Canadian markets it is necessary to absorb heavy freight charges as customers will not pay us more for the products which we manufacture than they pay others much nearer at hand, especially when, because of the distance involved, we cannot effect delivery to these points as quickly as can our competitors from nearby plants.

Freight absorption and/or equalization is a serious matter on any class of goods, but particularly so on finished products, because freight rates on such are much higher than on semi-finished goods. Nails, which really should not be classed as a very highly finished product, provide a rather striking case in point. Freight rates on this commodity from Sydney to Montreal, Toronto and Windsor are, respectively, \$13.00, \$20.40 and \$23.20 per net ton, whereas the corresponding rates on wire rods -- the semi-finished material from which nails are made -- to the same destinations are \$7.61, \$10.26 and \$11.32 per net ton.

In view of the foregoing, and as long as this situation obtains, the production of finished goods in Nova Scotia for shipment to central and western Canada entails a heavy financial burden which, viewed in its most favourable light, is a serious handicap and which, if borne too long, might well prove economically disastrous.





It would therefore seem that the vital interests of the primary steel industry in Nova Scotia would best be served by having more finishing plants in the large market centres, whence completely manufactured goods can be supplied expeditiously and economically and to which, as they are enlarged and multiplied, ever-increasing quantities of semi-finished steel can be shipped from Sydney at lower cost, thus ensuring the continuity and expansion of basic operations in Nova Scotia which might otherwise be jeopardized.

The principal difference -- apart from geographical location -- between the various primary steel industries in Canada lies in the extent to which each, for the most part or in large measure, is devoted to certain products as distinct from those upon which the others concentrate.

While the steel plant at Sydney produces blooms, billets and bars, as do the Steel Company of Canada and Algoma; while it produces wire rods and wire products as does Stelco, and while it produces rails as does Algoma, it is more dependent, in a sense, upon rails than upon anything else, as these are by far its biggest finished product in terms of tons per annum.

As mentioned above, Algoma likewise produces rails and it may be added that it does so in large quantities, but it also produces heavy structural shapes on its rail mill, with the result that it is not dependent exclusively upon rails for the operation of this mill and so is not affected to the same extent





as is Sydney by "feast or famine" buying of the railways.

The Steel Company of Canada has engaged heavily in the production of so-called flat rolled products, that is, plates, hot and cold rolled sheets, tin plate, etc., while Dominion Foundries and Steel devote themselves almost exclusively to these lines and Algoma has entered this field in a limited way, whereas none of these products are manufactured at Sydney.

The location of the Sydney plant -- far distant from the more populous centres and therefore from the areas of greatest consumption, with resultant high transportation costs -- has militated against Dosco embarking upon the production of heavy structurals or flat rolled products in Nova Scotia.

Dosco's location on tidewater, with facilities for loading ocean-going vessels at its own docks, is of definite advantage in the matter of export business. In fact, it is this advantage which largely made it possible to undertake important rail and billet tonnages last year when the same were badly needed to keep the Sydney plant in operation on a satisfactory basis over an extended period.

It is quite possible that the completion of the St. Lawrence seaway will result in lower transportation costs from Sydney to central and western Canada, but this pleasing prospect loses some of its appeal at the thought that the same seaway may permit ocean-going ships from low-wage countries to reach almost halfway across this continent with their wares.



Now, Mr. Chairman and members of the commission, that submission does not indicate that we think there is anything wrong with the steel industry in the province as an economic entity within the province. We do point out that it has certain disadvantages arising from its location, and those are disadvantages which it does not seem now that anyone can very well overcome. A ton of ingots will weigh a ton, no matter how you make them, and the freight rate on that ton will be whatever the railways will charge.

We feel we might perhaps be better off if we could get some railway competition into this picture; but taking it by and large the steel industry at Sydney gets along, and gets along without government assistance. Mr. Anson, of course, is here, and he is far more familiar with the actual operation of that plant and what happens there than I am.

There is another matter that perhaps I should have mentioned when I was making this submission. We operate very efficient plants in New Glasgow, where we have a car plant which builds railway cars; we have a machine shop which builds precision tools of various kinds, notably the Dosco Miner and also notably, I think, the Dosco dial drive furnace, which is just coming on the market.

The operations in New Glasgow, of course, are dependent largely upon car orders from the railways. That is, if we are to have a satisfactory operation there, we must have business in the car plant.

In Halifax we have Halifax Shipyards, which





operate a graving dock and shipbuilding berths on this side of the harbour, and which operate a marine railway and repair shop on the Dartmouth side.

All these industries suffer from transportation handicaps as compared with their competitors; and with the exception of Halifax Shipyards the export field is scarcely open to them. Of course when you repair a ship I suppose that is export business, because it cannot go inland; usually it must go out.

We are, of course, quite anxious to offer the commission any further information we can, and I can promise you that when our further submission from Dosco comes before you, we shall include a study of the situation of the ore mines at Wabana.

THE CHAIRMAN: Thank you, Mr. Forsyth. I wonder if you could tell us the extent to which the capacity of the Canadian steel industry as a whole is able to meet the current demand for primary steel products in this country, and to what extent we depend upon imports.

MR. FORSYTH: I am going to let Mr. Anson deal with this in a minute, but normally I would say the present steel producing capacity in Canada is adequate to the situation, except in the case of certain large structurals which we do not roll here. That is, the steel industry in Canada does not roll them because the volume of business would not justify the capital investment necessary to do that, and the creation of plant for that purpose. At the present time, however, the situation is not quite normal, and



I think perhaps Mr. Anson can deal with that better than I can.

MR. ANSON: The capacity is approximately 12 million tons annually, in terms of ingot production. Imports into Canada of steel range beyond one and a half million tons. Primarily that one and a half million tons is made up of products which must be produced by a wide variety of equipment. The tonnages involved in any one of those items is insufficient to warrant the installation of the equipment which produces that type of material. You just could not warrant the capital expenditure. You would have very expensive equipment installed and operating only at spasmodic intervals.

As Mr. Forsyth said, normally speaking the Canadian steel industry is based on supplying that part of the market which offers tonnage which can substantiate having the type of equipment required.

THE CHAIRMAN: As to the part of the market which you do supply, is there any surplus capacity in Canada?

MR. ANSON: Today there is no surplus capacity. All the ingot capacity of Canada is operating at about 100 per cent.

THE CHAIRMAN: In that event you do not have any trouble in selling the output of your plants; or do you?

MR. ANSON: We do not have any trouble right at this moment in selling our products; but you must realize, of course, that the price realized by the sale





of those goods because goods are perhaps in short supply, does not mean that a man in Toronto who is going to buy a carload of nails will pay us any more for that carload than he will pay a man right in Toronto.

THE CHAIRMAN: I was going to ask you that. Is the price determined by the laid down imported price?

MR. ANSON: In some parts of Canada it is, but there again it depends altogether on the demand. Last year very definitely the price of nails, for instance, and barbed wire in certain parts of Canada was very definitely governed by imports from the countries Mr. Forsyth mentioned: Japan, England, Belgium and so on.

THE CHAIRMAN: But probably not very much material came in from those countries?

MR. ANSON: Yes, considerable quantities came in, at prices very much lower than Canadian prices; to the extent that we had to reduce our prices by \$13 a ton, and even that did not meet the difference between the prices.

MR. FORSYTH: The steel market is more volatile. Four months ago we were experiencing quite some difficulty in disposing of some of our products. Today steel is in short supply, certainly in the lines we manufacture.

THE CHAIRMAN: In talking about the supply of rails to the railroads, you mentioned the feast or famine policy of the railways. Have you any views as





to whether that feast or famine policy could be evened out to advantage?

MR. FORSYTH: I am quite certain that it could be; and from certain conversations I have had with certain officials of the railways, they are equally certain. But they have some problems in connection with it.

THE CHAIRMAN: On an item like rails I suppose the wastage depends to some extent on the volume of traffic; but still the fluctuation from year to year cannot be so tremendous, can it?

MR. ANSON: That is quite true.

MR. FORSYTH: Five years ago I started with the railways on what I called a planned buying programme, and it was particularly interesting to us in Dosco for the car company and for the rail mill at Sydney. I found that everybody was warmly receptive to the idea, but they did not do anything about it.

They have some problems in connection with it. The railways as a rule will not commit themselves to capital expenditures when they are not making money; and the Canadian National Railways of course operate under the eagle eye of a parliamentary committee, and their capital expenditures are always subject to review by that committee, and it creates some difficulty for them.

THE CHAIRMAN: There is just the same fluctuation in the buying policy of the Canadian Pacific Railway Company though, is there not?

MR. FORSYTH: That is quite true; their



buying policy seems to go along side by side. When the Canadian Pacific are out for box cars or for rails, the Canadian National are out for them, too; and when they are not buying on one railway they are not buying on the other.

I have tried to argue with the railways, and I think they have agreed with me. I know Mr. Crump thinks that when we have to keep that car plant idle, as we did this year for some six months or more, somebody has to pay for that in the end, and eventually it must be paid for by the people who buy the cars.

That is an economic principle on which I have always worked. It may take a long time to get that money out of them, but eventually we will probably get it. I took their car purchases over a period, I think it was of ten years, and we tried to keep away from abnormal years. I felt I could demonstrate to them that if they had purchased evenly over that ten years, they would have saved themselves a lot of money and we on the other hand would have been saved money too because we would have avoided idle time; we would have avoided any possible loss of skilled labour and so on. I do not need to enumerate the advantages to people who have had the experience you have had.

THE CHAIRMAN: Have your capital expenditures at Dosco since the war been comparable, more or less, with those of the other steel companies, having regard to your relative sizes?

MR. FORSYTH: I think they have. We embarked upon a very extensive capital programme something





around six years ago, starting with some coke ovens that we built. We put in a new blooming mill at considerable cost. We had one project under consideration -- in fact we had committed ourselves to it -- the construction of some new open-hearth furnaces; but the change in market conditions that developed made us feel that it was not wise to go ahead with that, and we suspended any further development there. It may be that we will take that up in some modified form quite soon.

On the other hand there are certain technological advances in steel-making which may require us to change our plans. We are just now about to embark upon the investigation of a very new process or practice in steel-making, which we may adopt; and that of course would involve some expansion.

Taking it by and large, Mr. Anson, I think you would agree that our capital expenditure has been fairly proportionate to that of the other companies?

MR. ANSON: Based on our ingot capacity, yes.

MR. FORSYTH: Of course at Algoma, for instance, they put in a new flat rolling mill there a short time ago, and they have attracted to that location a German industry which is going into the manufacture of heavy pipe. That, I think, will be a very important adjunct to the Algoma business.

THE CHAIRMAN: I was more concerned with



the type of expenditures that are required to keep an operation up to date, rather than the expenditures that might be needed to expand into other fields.

MR. ANSON: In that respect we have done more than other people, because up until the time war broke out, in the years prior thereto, our plant had not been kept up to the state of efficiency that it should have been. Consequently we have had to catch up on that, and we have caught up.

THE CHAIRMAN: You have caught up?

MR. ANSON: Yes. We have a very modern plant indeed.

THE CHAIRMAN: I take it from what you have said, Mr. Forsyth, that any pessimism which might have been felt about the future for the coal industry does not apply to the future operation of the steel company?

MR. FORSYTH: No, I do not think any pessimism is justified in respect to the steel operation. I must say that I think there must be, on the part of everybody concerned, a realistic appraisal of this situation; that is, that we cannot get the same return in our domestic market as the other companies can, because of their location.

On the other hand, in any export business at any sort of reasonable price level, we have an advantage; and right now if it were not for the fact that we had gone after export business something about a year ago, today we would be having a very thin time in the Sydney steel plant for the first six months of this year. But we went after some export business. To





the credit of our sales force I must say that we really did go after it, and we got it. It does not represent any large amount of money in a profit way, but it kept the plant going.

THE CHAIRMAN: On your domestic business I think you mentioned that one of your big items, if not the biggest, is rails?

MR. FORSYTH: That is right.

THE CHAIRMAN: In selling rails do you not get the same price as Algoma? Are you at a disadvantage?

MR. FORSYTH: We are at a certain disadvantage, because on rails that are going a certain distance west of Montreal, we have to make an allowance to equalize the freight advantage.

THE CHAIRMAN: Do you ship all rails by railway, or do you ship them by boat to British Columbia?

MR. FORSYTH: All by railway. You could not sell rails to a railway and ship them by water.

MR. ANSON: Except that sometimes the Canadian Pacific will accept tonnages shipped that way to the west coast.

THE CHAIRMAN: That is what I mean. Do you not ship rails to the west coast by water?

MR. FORSYTH: We did, but we have not for many years. The way it works is this. These railways divide their rail business between Algoma and Dosco in certain proportions, generally speaking. I would not want to be committed to these figures as being too definite, but I would say that by and large we get about perhaps somewhere between 15 and 25 per





cent of the Canadian Pacific business, and Algoma usually gets somewhere around 25 to 30 per cent.

THE CHAIRMAN: Where does the rest of it come from?

MR. ANSON: They alternate.

MR. FORSYTH: We have recently taken a very large foreign rail order, on which we are working. I do not believe Algoma has ever been in the export business, as far as rails go.

MR. ANSON: On just one occasion that I recall.

MR. GRAUER: In connection with that export order, did you get assistance from the international credit facilities?

MR. FORSYTH: We did not. The Mexican people made the loan through the world bank, but we had nothing to do with the financing. But we have had several export proposals in which, had we been able to secure the business, we would have used the export credit facilities that are provided by the Canadian government.

MR. GRAUER: That has some real promise for the future in that field, then, does it?

MR. FORSYTH: Yes, I would think so. Mind you, it is not a very convenient procedure, because it is an insurance scheme rather than a financing scheme. You see, with this world bank the Mexican railway people, the Mexican government I presume, got a loan. When we shipped the rails they established a letter of credit and we got paid. So there is no question of waiting to



see whehter the fellow will pay, to try to collect on your insurance; and of course our export credit insurance only extends to 85 per cent of the order.

MR. GRAUER: Coming back to the Mexican business, there seems to be a very definite trend throughout the world for the underdeveloped countries to industrialize. Some, like India, are going ahead at a very fast rate. Would your location be of assistance over a period of years in participating in that business?

MR. FORSYTH: Yes, it ought to be, subject of course to the items required being within the range of our manufacture.

MR. GRAUER: I was thinking of things like rails.

MR. FORSYTH: Yes, and in the past we did quite a considerable amount of rail business in South Africa.

MR. ANSON: We have shipped all over the world; India, New Zealand, the Middle East, South America.

MR. GRAUER: There is a very widespread assumption these days that we can bring about -- and by that I mean we in the western industrial countries can bring about -- a constantly expanding economy, by which they mean that while there will be minor ups and downs, the trend will be upward.

Assuming such a condition, I take it from what you have said that you would not have too many problems internally, assuming that expanding market?





MR. FORSYTH: I quite agree. That is one of the things that make us feel we must be prepared to expand, to take our share of that. But we have felt over the past few years, at any rate, that the first thing we had to do was to get our plant in such shape that we could<sup>do</sup>/what we have to do a little better than we were able to do it then, because this industry at Sydney as well as at New Glasgow must be operated always at the peak of efficiency, to enable it to exist against the transportation handicaps which we face.

THE CHAIRMAN: Well, thank you very much, Mr. Forsyth. Would you like to come back at us again with the third installment?

MR. FORSYTH: I have one other chapter in this story which I think perhaps you ought to hear. It will not take very long, but I would prefer to come back.

THE CHAIRMAN: I did not mean that literally. If you would be willing I think we would prefer to carry right along.

MR. FORSYTH: I am perfectly willing to do that. The last chapter I have to put before you I would like to preface with just one thing. I should not like the fact that we have omitted to go into details of the operations at New Glasgow to lead the commission to think that is not quite an important item in our set-up. At New Glasgow we pay out annually in wages and salaries something like \$4 million. Our pension bill is \$44,000. Our sales volume for 1954 was \$22,684,000. We purchased from other units of the



corporation \$4,600,000 of material, and purchased from outside close to \$9 million worth. Our power bill was \$250,000. We paid in freights \$796,000. We paid in sales taxes on purchases and sales, \$1,671,000. We paid <sup>million</sup> \$1/plus in income tax. We constructed 2,245 cars. We forged 13,391 tons of axles, a thousand-odd tons of miscellaneous forgings, and produced 2,703 tons of shells in our shell plant.

If this commission has the time to do it, I would very much like to have you visit those plants, because I do not believe there is a plant in Canada that compares with our shell plant at Trenton. Take it by and large, I think our operations there are a credit to the management there and to the corporation.

This chapter I am proposing to deal with now has to do with transportation.

THE CHAIRMAN: Then we might mark that as Exhibit 10, I think.

MR. FORSYTH: The first section has to do with the location of markets:

Several years ago the United States planning board presented a report to the 77th Congress that contained this statement:

"Transportation exerts a very significant influence on the location of economic enterprise. The fixed location of known resources, often separated from one another and from consuming populations by great distance and physical obstacles, necessitates well-developed transportation facilities to enable





their economic exploitation. Difference in rates and in the qualities of service available between various sections of the country help determine which raw material sources, manufacturing locations and marketing areas are most desirable. At times lack of facilities or prohibitive transport costs may inhibit or prevent the development of valuable resources."

Canada has oftentimes been referred to as a ribbon-like economy 200 miles wide stretching from Newfoundland to Vancouver Island, a distance of over 4,300 miles. This economic structure is all the more distinctive as a consequence of the influences and policies that, in the integration of the country, have resulted in industrial agglomeration in the central provinces and as a consequence has given relatively great weight and importance to the transportation factor from the extremities of the country.

Nova Scotia, as one of the provinces in the outer reaches of Canada's peculiar ribbon-like economy, has found considerable difficulty in exploiting its resources because of distance to the principal markets of Canada. Its advantages of geographical location at tidewater have, to some extent, been subordinated to national integration. Its output consists mostly of primary and basic products that require low transportation charges if they are to be fully exploited in competition with nearer sources of supply within or adjacent to the markets of central and western Canada. Its steel





and coal industry to survive and develop in the future must enjoy the lowest possible transportation costs.

If in the United States, where industrial development is widely diversified, it is a factual conclusion that transportation exerts a very significant influence on the location of economic enterprise, it cannot be gainsaid that in Nova Scotia, on the perimeter of Canada's peculiar economic structure, transportation exerts a very considerable influence on its development. Indeed, it can be said that under existing circumstances it constitutes the most important single factor to, at least, a reasonable participation of the province in the future economic development of Canada.

At today's estimate of approximately  $15\frac{1}{2}$  millions of people in Canada, over 60 per cent are located in the provinces of Quebec and Ontario. It is this area that accounts for more than 75 per cent of the total value of manufacturing production of Canada. It consumes over 66 per cent of Canada's coal requirements, and in the section Montreal to Windsor over 75 per cent of all iron and steel products. In the province of Quebec, which is the principal market for Nova Scotia coal, there was landed in 1954 4,516,645 tons of bituminous coal of which 2,392,508 tons originated in Nova Scotia, assisted by subventions.

The nucleus of the iron and steel market in Canada is Hamilton and Toronto. Sydney's disadvantage in distance from the centre of the market is clearly



depicted in the following rail mileage comparisons with the other principal steel mill sites:

<u>From</u>	<u>To</u>		<u>To</u>	
Sault Ste. Marie, Ont.	Toronto, Ont.	439 miles	Windsor, Ont.	656 miles
Hamilton, Ont.	"	40 "	"	190 "
Sydney, N.S.	"	1,258 "	"	1,483 "

The horizontal percentage rate increases implemented during and immediately subsequent to world war I had the effect of handicapping materially the steel industry in Nova Scotia. The royal commission on maritime claims dealt critically with the incidence of the horizontal war increases and its effects on long distance and heavy traffic. For example, on bars from Trenton, N.S. to Brantford, Ont. vis-a-vis Hamilton to Brantford, the increase in spread amounted to \$4.26 per gross ton.

The Maritime Freight Rate Act that, in 1927, gave effect to the general recommendation of that commission on the maritime freight rate structure only reduced the spread by a few cents.

I would like to comment here that this is a matter which I have taken up before with other royal commissions and with the board of transport commissioners; that is the incidence of horizontal freight rate increases. It of course inevitably follows that the man who is furthest away pays the greatest increase.

THE CHAIRMAN: You will appreciate, Mr. Forsyth, that this commission has to stop somewhere, and we do not think freight rates as such are part of





our problem.

MR. FORSYTH: I am not bringing this before you with a view to having a recommendation by this commission on the question of actual freight rates; but I think perhaps the commission, which is dealing with the economic prospects of the country, might if it saw fit to do so venture some opinion as to the procedure. The Duncan commission, for instance, which is referred to here, took very strong exception to the question of the method --

THE CHAIRMAN: Oh, we can deal with principles.

MR. FORSYTH: That is what I mean.

In the meantime the motor truck began to manifest itself as an important transport medium, particularly for short hauls. Its more advanced development in the central provinces was attendant upon an earlier highway improvement programme.

Truck transport not only brought with it reduced charges in many instances but, important also, expedited and improved services including pick-up and delivery. Its advent also influenced a change in marketing practices. As a consequence industries outside the pale of the competitive field found their relative position in the central markets worsened.

The pervasive influence of the motor truck, particularly in the case of high rated and short haul traffic forced the railways to implement reductions and improve their services in order to hold and, where possible, attract back some of the business they



had lost.

To maritime industries one of the effects of the intense competitive condition in the central provinces was the whittling away of the benefits that had accrued to them from the Maritime Freight Rate Act. However, without the act the situation would have been further aggravated.

In essence, this was the pattern that obtained up to world war II and during the period in which the rail rate structure was frozen by the wartime prices and trade board.

In the post world war II period the railways, perforce of rising costs, in a series of applications to the board of transport commissioners, sought increases of various amounts. Authorizations for increases totalling approximately 98.2 per cent were granted. Except in the case of coal and, in one instance, of potatoes -- excluding certain service charges -- no limitations were granted to the uniform or horizontal percentage increases. This was despite strong objections to that method of increase particularly in the case of basic and primary commodities. Thus there was brought into play exactly the same restrictive influence rate-wise in the Sydney operations that obtained during and immediately subsequent to world war I.

The post-war increases granted the railways had yet another effect. The increased rail levels produced ceilings which attracted increased competition from motor trucks including also an





extension of the competitive range. As before high-rated traffic was particularly vulnerable. And as a result the historical method of rate fabrication has been subjected to further deteriorating effects. In other words, the high rated traffic which was wont to contribute a high proportion of the railways' net no longer continues to do so to the same relative extent.

This situation has exerted a pressure to increase, wherever possible, rates in the non-competitive fields including those rates constructed basically on a lower basis because of the contributions of the high rated traffic.

Meanwhile, the railways have resorted to a greater use of the instrument of agreed charges -- permitted by the Transport Act of 1938 as recently amended on recommendation of the royal commission on agreed charges -- to meet the competition of unregulated carriers.

I may say that we are in the unfortunate position here, as I think has been mentioned before, of not getting any of the benefits of this competition, because we have only one transportation service.

(a) In Respect of Steel

The incidence of the post-war II increases and the concomitant more intensified competition of motor trucks and their effects on the competitive position of Sydney steel operations are trenchantly delineated in the following carload rate comparison on steel bars from Sydney, N.S., Hamilton, Ont., and Sault Ste. Marie, Ont., to Toronto and Windsor, Ont.





On a per net ton basis the spread on steel bars from Sydney, Nova Scotia, to the Toronto and Windsor markets vis-a-vis Hamilton origin has increased between April 7, 1948, and the present as follows. These figures are interesting. In Toronto in 1948 the spread between our rate and that of the Steel Company was \$5.20. It is now \$12.40. At Windsor the spread was \$6.40; now it is \$18.40. I want to point out to the members of the commission that a figure like \$12 in relation to a ton of steel is a very important amount of money.

The percentage which transportation bears to an approximate price on a typical steel product from Sydney, Nova Scotia, Hamilton, Ontario, and Sault Ste. Marie, Ontario, as at the Toronto and Windsor markets further emphasizes the relative burden, transportation-wise, against Sydney to those markets.

	<u>From Sydney</u>	<u>Hamilton</u>	<u>Sault Ste. Marie</u>
At Toronto	14.4%	2.5%	10.5%
At Windsor	22.9%	5.4%	15.3%

(b) In Respect of Coal

In the post-war II freight revenue cases the treatment accorded coal rates was a more realistic and salutary one. Both the railways in their applications and the board of transport commissioners in its judgments stipulated limitations which were exceptions to the general pattern of horizontal percentage increases. During this period, however, other forces came into play such as the dieselization programme of the railways, increased competition of oil, the threat of



lower transportation costs on coal from United States sources with the completion of the St. Lawrence seaway and of increased competition of gas via pipe lines, all of which dictate that every cost factor, including transportation, must be maintained at the lowest level possible if the vestiges of the previous outlets for coal are, at least, to be retained. Indeed, any restrictions such as that being proposed before another august forum must be avoided if the industry is not to be further prejudiced.

The basis for subventions for Nova Scotia coal in the Quebec market is the laid down cost of United States coal subject to a maximum that is prescribed from time to time by order in council. The amount of the payment is subject to variations in the f.o.b. price at the respective mines and the transportation charges from United States sources and Sydney. The bulk of the shipments to the Quebec market from Sydney is by chartered United Kingdom vessels. You can see what the reference is to the other "august body".

The cost per ton varies depending upon the charter hire, capacity of the vessel, its speed, the turn-around time and the facilities for handling. Since all but three of the vessels in the fleet of the Dominion Shipping Company are on charter the rate of hire is very sensitive to the vicissitudes of the world shipping market. When the market is buoyant, as it is today, the cost per ton for moving coal from Sydney to the St. Lawrence reflects this condition and





makes the break-even point of marketing coal in the St. Lawrence basin dangerously marginal.

A cost factor involved in the water transport to, in the maritimes, Newfoundland and the St. Lawrence area, is the so-called B.N.A. warranty. This warranty, by exclusion, results in the assessment of an additional rate of insurance on hulls operating in waters where the warranties apply.

Down through the years this warranty has cost the coal industry, either directly or indirectly, many millions of dollars in the form of extra insurance for its cancellation. While, beginning in 1955, some easement has resulted by the cancellation of the premiums during the period from June 1 and October 31 each year, the application of this insurance during the additional months of Dosco's shipping season still represents a substantial sum. The applicable rates are as follows:

April - if delivered before April 15 in B.N.A. waters	3/9d% plus 1/3d G.R.T.
May	2/6d% plus -/10d G.R.T.
November	2/6d% plus -/10d G.R.T.
December	3/9d% plus 1/3d G.R.T.
January	3/9d% plus 1/3d G.R.T.
Once inwards	1/3d% plus -/5d G.R.T.
Once outwards	<u>1/3d%</u> plus <u>-/5d</u> G.R.T.
	<u>18/9d%</u> <u>6/3d</u> G.R.T.

The continuance of this additional insurance does not appear to be justified especially with the existing aids to navigation and favourable casualty



records. Its elimination in its entirety is long overdue.

The Incidence of Future Developments  
on the Competitive Position of Sydney's  
Transport Competition and Rate Equalization

The railway association of Canada before the royal commission on agreed charges calculated that on the basis of an estimated 33,000 "for hire" motor vehicles in Canada those operations account for 25.2 per cent of all the total revenue for 9.2 per cent of the ton-miles as compared with the railways' 74.8 per cent of the total revenue in handling 90.8 per cent of the total ton-miles. These figures -- albeit calculated guesses, are possibly conservative ones -- indicate that the "for hire" motor truck alone is making a considerable inroad on the higher rated freight traffic of the railways. This condition in turn has been creating a burden upon the rail traffic in the non-competitive field, a burden that threatens to be accentuated either with or without the so-called equalization of commodity rates in Canada.

Now here we deal with the effect of equalization. Having in mind what you have said, Mr. Chairman, I would say this is recommended reading, but possibly it is hardly within the scope of this commission. However, here is something that we regard as being of substantial importance; that is, the influence of the St. Lawrence seaway.

It is difficult to make a projection



as to what is to be the end result of any development upon an industry with exactitude, yet when the objective of a project is as definite as that of the St. Lawrence seaway one can formulate with some certainty certain conclusions. Since the purpose of the seaway is twofold, that is,

(a) the development of a substantial block of cheap energy, and

(b) an improved highway for water transport, it follows that not only an additional competitive source of energy will be released in one of Nova Scotia's principal coal markets, but also it will facilitate a cheaper transport unit for the movement of coal from Lake Erie ports to the St. Lawrence river basin.

THE CHAIRMAN: On the matter of energy, as far as the immediate power plants are concerned, that will not compete directly or indirectly with Nova Scotia coal, I take it, because it will be used entirely by the Ontario Hydro-Electric Power Commission who, as far as I can remember, do not buy any coal from Nova Scotia anyway.

MR. FORSYTH: They do not at the present time, but they did.

MR. APPLETON: No.

THE CHAIRMAN: They buy all their coal from the United States. In future, I suppose, when the Quebec sites are developed, that may have an effect.

MR. FORSYTH: How much coal do we sell





these power plants? Of course it is not a question of the sale to power plants; it is the question of the generation of steam in industry.

THE CHAIRMAN: All I am saying is that I am questioning this point. If you take the immediate power development, it will relieve the Ontario system of the necessity of building a thermal plant. Certainly that system would build one or the other. If it built a thermal plant I suppose it would use United States coal.

MR. FORSYTH: That is right.

THE CHAIRMAN: So to that extent it is not competing with Nova Scotia coal at all?

MR. FORSYTH: I would say that is so; but when you get into the Quebec area, if you get a sufficient amount of power so that a customer will say he is going to use hydroelectric energy rather than our coal --

THE CHAIRMAN: But Quebec is certainly going to produce power, whether it is on the St. Lawrence or at some other place. I do not think that is a valid argument.

MR. FORSYTH: Well, perhaps not. It is like other arguments; you take them for what they are worth. If that is not going to be a problem for us I am very, very glad, because we have enough troubles without adding that one.

The ore carriers that will ply from Seven Islands, Quebec, to the United States ore and coal ports will be in the market for return cargoes.



At the ore terminals the facilities and the organization for handling such cargoes already exist in a highly developed and efficient state. The demand for such cargoes on a quick turn-around basis will tend to reduce the water rates on coal to "distress" or "ballast" levels and consequently will be reflected in the laid down costs of United States coal. At present the cost of moving coal on lake canalliers from Lake Erie ports to Montreal, for example, ranges between \$2.25 and \$2.50 per ton. The amount of the potential reduction in coal rates on a "distress" tonnage basis from Lake Erie to St. Lawrence river ports will be governed to some extent by the facilities available for the handling, the type of carriers operating in the ore trade, the seaway tolls to be assessed and, of course, the most adaptable conditions.

As a matter of fact there are now on the St. Lawrence installations handling equipment which could handle that coal if brought in in that way. That is right, is it not?

MR. APPLETON: That is correct.

MR. FORSYTH: It is difficult to predict with any degree of accuracy the effects of the seaway upon the Nova Scotia steel industry. Whether or not it will result in lower transportation costs from Sydney to the markets of Ontario is a subject of study. In any event it offers interesting possibilities.

Right here I would like to make a confession. If I were not an official of the Dominion Steel and Coal Corporation, and consequently knew a great deal more about





its affairs than I know now, I would surely reproach the management of this company for not availing itself of water transport for the products of its steel mill at Sydney. But I did not have to be in the corporation and study that question for very long before I discovered why they had not been doing that; why it was just impracticable and impossible to use water transportation to any greater extent than they were using it.

The principal product we had was rails; could you sell rails to a railway shipped by water up the St. Lawrence? Not with the Canadian National. They wanted the business for their own road, and there was no package freight service available. In any case, with the type of other products, I do not know where the operator of such a service would put them while he was accumulating a shipload; or what you would do for money, or what your customer would do for goods.

There are some developments we are still looking into, but I think it fair to say that a very thorough study of the water shipment of steel products has been made, without much appearance of gain to be derived from it.

Then we have a chapter here on the incidence of gas and oil in the marketing of coal in the central provinces. That is an extension and expansion of ideas that have already been discussed here, and I do not think I should take your time to read it.

In the same way we have here on pages 13 and 14 a discussion of the subvention policy and national policies in regard to industrial location



and development. I think perhaps if you will permit me I shall put that in, because I think it is quite relevant to your inquiry.

The integration of Canada has necessitated policies which have involved the construction of man-made barriers and arrangements with the object of developing an economic unit which is directed, as far as attainable, to the complete and equal development of all of Canada together with the national defence. In charting a course to attain the objective one cannot evaluate all the uncertainties with any degree of accuracy. Yet, trends and past and present circumstances such as those manifest in the industry of Nova Scotia should mesh as far as possible with the best understanding of the probabilities.

Unfortunately, the purpose behind policies and arrangements that have been established for the sake of integration has oftentimes been lost sight of and, when assistance has been granted in an attempt to right the balance, the territory or segment of the country receiving the aid has been considered as subsidized. An illustration in point is the reimbursements paid to the railways under the Maritime Freight Rates Act. In this category also is the proposal to exclude United Kingdom and other commonwealth ships from the coasting trade of Canada. If this were effected and if the coal were to move at all by Canadian bottoms, increased subventions would be necessary. Unfortunately such aid would undoubtedly be labelled upon the coal industry instead of being





recognized for what it is. But I do not think it is a question of who gets blamed; it is a question of who gets the money.

The restrictive effects of some of the developments which the future appears to hold for the coal industry dictate that measures that had previously been applied with some success should be reassessed in the light of changed conditions and circumstances both existing and likely to occur.

The maritime area needs increased power to attract and retain industries. Coal as an important source of energy should be encouraged in that direction. In this connection thermal power development in the maritime areas offers possibilities of a lesser subvention outlay on the basis of a re-oriented policy. I see we are not altogether in agreement on some of the views we have put forward.

The constitution of the Royal Commission on Canada's Economic Prospects will enable a broader approach to the problems associated with the whole economic structure of Canada than has ever been undertaken. In so far as transportation is concerned, it affords the opportunity to develop accurate and pertinent rate information and other relevant data pertaining to all media of transport as a means to assess properly the extent and effects of competitive rate reductions, and also to determine more precisely the effects of rate increases and decreases on the various segments of the economy.

Perhaps there will emerge from such a





study a greater consciousness and appreciation of the importance of transportation to the locational pattern of industries to the perimeters of the country than hitherto, and in turn this realization will result in a needed over-all national transportation policy in Canada.

I would like to add one further personal word in connection with that, and I am afraid it is going to sound to some of the members of this commission like a rather stupid suggestion.

For many years I have been interested, professionally and otherwise, in freight rates and the structure of railway tariffs. I am firmly convinced that with the markets of the maritime provinces being what they are in size, no manufacturer except one who was satisfied to have that market and no other would come to the maritime provinces to manufacture a finished product, because the freight rate on the product would be so high in contrast to what he would pay on a semi-finished product or raw material to manufacture the product elsewhere in Canada. I have observed this in connection with railway tariffs; that everywhere in the world they seem to be set up on the same basis; that the raw material pays the lower rate and the semi-finished a higher rate, with the finished product paying a higher rate again.

I do not know why that is. Perhaps it would be an easy thing to discover; but the singular thing to me is that in all the times I have appeared



before various royal commissions and various sessions of the Board of Transport Commissioners, I have never heard anybody talk about what it cost to move a ton of freight a mile. The only time I have heard that mentioned was in connection with the O.C.S. rate on the movement of coal; and then they talked about it being an arbitrary figure.

I do not know whether this commission thinks there is anything in that that ought to be investigated, but I personally feel that it might be. It may be impossible to find out what it costs to move a ton of freight a mile, of course; but if it is impossible to discover, then I think the incidence of the higher rate on the finished products perhaps deserve some investigation. If you could find out what the cost is, that would be a different proposition.

THE CHAIRMAN: As a one time cost accountant I think you would be able to find several answers if you really put your mind to it.

MR. FORSYTH: Well, I can think of some answers, but I do not suppose everybody would be satisfied with them.

Now, Mr. Chairman, I have been here a long time. I remember that a great Nova Scotian once said, when he heard a political opponent complain about being tired when he sat down after a long speech, that he did not think much about how tired the rest of them were. I will say I am quite weary, and I sympathize with you.





THE CHAIRMAN: We are very grateful to you and to all the officials of the company who have come with you to help you prepare this presentation, and who have answered some of our questions. We are most grateful indeed. This is the kind of commission that can only hope to achieve any measure of success if it receives just this kind of co-operation from everybody right across this country; and we thank you very much.

MR. FORSYTH: I also want to say this. We have had some correspondence about this; and if your staff as the result of these submissions or any other submissions that are made find there are any other matters or any other information which ought to be available from any of our subsidiaries at any of the locations where we operate, all you have to do is ask, and we will provide you with any information we have.

THE CHAIRMAN: Thank you very much.

--- At 1:00 p.m. the commission adjourned.



--- At 2:30 p.m. the commission resumed.

THE CHAIRMAN: Well, gentlemen, I think we might come to order. Mr. O'Neil, you are going to begin in your capacity as secretary of the Nova Scotia Federation of Labour, and then carry on as president of Local 1064 of the United Steel Workers?

MR. O'NEIL: That is right, sir. I imagine we might as well have the other labour people come up here.

THE CHAIRMAN: That would be a good idea, I think.

MR. O'NEIL: Mr. Chairman and members of the commission, I first wish to express the appreciation of the Nova Scotia Federation of Labour at having the opportunity to appear before this commission and express some of our views.

It may be rather unfortunate we have not a written brief prepared, as such, on behalf of the Federation of Labour. Due to several things that cropped up it was impossible to have that done; and having requested an opportunity to appear before your commission, the next best thing was to have several of the larger organizations within the federation write up their individual briefs so they would have an opportunity to present them to you today.

What I will have to say on behalf of the federation of course will be presented orally and from a couple of notes I have. I shall take as little time as possible on this aspect, because I think the more important part of our submission to your commission to-



day will be in the individual briefs to be presented.

It is unfortunate, too, that the president of the federation is unable to be present today, due to ill health and a number of other things he has had to cope with back on Cape Breton island, so I will have to sort of double in brass here today for the federation and the steel union, so with your permission I shall carry on.

THE CHAIRMAN: Please do.

MR. O'NEIL: As I said, we are very happy to have the opportunity to come before a commission such as this, because up until the present the federation as such has had to deal largely with the provincial government in matters affecting the labour groups in the province. There have been quite a number of problems facing the working people of the province that were of such a nature that it was impossible for any one individual government to deal with them; and we have felt many times that the only way to get some of them cleared up would be through having a co-ordinated effort made on the part of the government of Canada.

I am not too certain as to just what are the terms of reference of this commission, as to whether everything you receive must be specifically within the sphere of economics, but we do have a number of problems that are largely social as well as economic, due to the fact that we are working people. If some of the things I say to you may not necessarily fall within your sphere, perhaps you may listen anyway.

For your information, the federation is a





loosely knit organization that acts as the parent organization for some 30,000 workers in the province. It is not a union in nature as such, in that it does not deal with any employer in respect to wages, working conditions and so on, but simply acts as the unified voice of labour on those problems which affect working people generally.

So it is not our purpose to bring up anything that may be in the nature of an argument between a trade union and an employer, because I do not think your commission is interested; although I may say there was one reference made this morning before your commission by the corporation representatives, I think having some reference to a realistic appraisal of the people who work in the industry, to the effect that they might have to accept something less if the industry is to survive. I think that will have to be decided as between the labour organizations and the management, and not by this commission.

The main difficulties we are faced with, I think, are social problems; the fears of the working people of the province for the future, based on what has been their lot in the past. We believe we are right when we say that we in the maritimes, and in the province of Nova Scotia generally, are hit first by any economic slump in the nation's economy. We believe we are right when we say we are hit hardest, and that the ills last longest.

That may be largely due to the geographical position we are in, and certainly we cannot blame any



living person for the geography of the country. That is something beyond the ability of any living person to correct. But the effects of that geography, or the ills that come to the maritimes as the result of that geography, may be lessened somewhat by the application of certain policies in Canada. Some of these difficulties may be lessened by some method of changes in taxation, by some rearrangement of subsidies and subventions, or possibly by a programme of decentralization of industry.

The people of this province resent being looked upon as beggars or whiners when they insist that the central government recognize the lack of industry in this area and the recurring periods of depression we face from time to time. Our people do not want handouts at all. We think our people have played their part in the nation's economy. We have contributed through taxation to the raising of public funds, some of which have gone from this area of the nation to be used in the building of railroads, canals and such, from which much of the benefits have accrued to the central and western provinces, through the opening of the west and so on.

We do not complain about having to pay into public funds that are used for that purpose, in building the country; but we think it should be recognized that the people of this area have played their part. That should be recognized especially when requests are made for some attention to be paid to our position in this province.

Many times it has been said, "Well, if you





people down there want anything for yourselves, you have to do it yourselves." Well, we have not been altogether lacking in that direction, because the Atlantic Provinces Economic Council, which was set up here to try to do something for this area of the country, has labour representation on it. The organization which was set up in Sydney some time ago, with more or less the same purpose in view, also has labour representation.

We think these are good things, and they should go ahead. But we do not think they are enough. We do not think the ills of the maritime provinces will be cured until bodies larger than ourselves take hold of the matter and develop policies to eliminate the hardships that recur periodically down here. Mainly we think what should be done is that all governments should enter into a serious effort, along with industry, to help develop the industry in this part of the country so that our people may be relieved of the necessity of having to look for handouts, and may become self-supporting. Because it is not handouts we want, but to live in security without it becoming necessary for our people to leave the province.

In that respect I would refer back to something that was said this morning by one of you gentlemen to Mr. Forsyth; the question of whether it was population first and industry following to take care of it, or whether it was industry first and the population following the industry. I do not know the answer to that. It is something like the question about the hen and the egg; I do not think it has been answered yet. But we feel



that every effort should be made toward developing the industry, and we think the people will follow. But we do not think it can be done unless there is some centralized policy tending toward that end. Whether that is in the form of preferential treatment through taxation to industry wishing to locate in Canada, or whether it should be through some type of policy of subsidies or subventions which will induce industries to locate here, I do not know. I do know that very shortly there will be a new steel manufacturing concern in operation in Canada, and it will be in the province of Ontario. It could well be that this same type of industry would have been located in this area had the type of steel necessary for that operation been available here.

Mr. Chairman, that is about all I have to say on behalf of the federation, and with your permission I shall carry on with the steel workers' submission.

THE CHAIRMAN: Please do. I suggest that this be marked as Exhibit 11.

MR. O'NEIL: Mr. Chairman and gentlemen, we appreciate having this opportunity to place before your commission some ideas we have on what might be done to bring about a more desirable economic climate in the maritimes, and in particular in the province of Nova Scotia.

The coal industry obviously is one of the cornerstones of the maritime economy. However, the steel industry, while employing fewer people presently





than the coal industry, and being more specifically confined to the province of Nova Scotia, could well be the central industry about which the whole maritime economy would revolve. This will be true, of course, only if the steel industry which we have in this province expands and grows in proportion to the expansion and growth of the Canadian economy as a whole, and is prepared to meet export demand when the condition of world trade makes foreign markets available.

The effect of an expanded steel operation on coal consumption is of course quite obvious, since coal, as well as iron ore and limestone, is a basic ingredient of the steel making industry. The consumption of iron ore and limestone, both produced in Newfoundland, would be increased. The shipbuilding and repair industry, of this province as well as other Canadian and foreign consumers, has periodically been hampered by a shortage of steel plate.

During the world wars of 1914-1918 and 1939-1945 the steel industry of this province produced steel plate second to none. I might say that 1914-1918 might be slightly inaccurate, since the mill was being developed and built during that period and it did not go into production until some time in 1919. It could and should still be in a position to supply this product for domestic and foreign consumption.

In short, we believe an expanded and more diversified steel industry in this province could well be the market for increased consumption of coal, iron ore and limestone all produced in the maritimes. In





addition it could be the source of plate steel so necessary in the shipbuilding industry, which is also an important part of our maritime economy.

Another important consumer of steel in this province has been the Trenton Steel industries, producers of railroad rolling stock and equipment. This industry has been plagued by violent fluctuations of demand for their product. As an example, they were forced to discharge personnel in 1951 because of a steel shortage, despite abundant orders on the books; yet in 1955 the work force comprised something less than 30 per cent of the 1951 work force, due to lack of orders.

On February 9, 1951, a brief was presented to the Nova Scotia provincial cabinet by the committee for industrial expansion. I might say that committee since then has practically gone out of existence, because of the lack of any progress being made in the initial project. That brief dealt with proposals for an expansion of the steel industry in this province. While some details of the submission were relevant only to that particular period, the basic principles of the submission remain the same, and we ask that you accept a copy of that brief as part of our submission on the steel industry of this province at this hearing.

I believe you have copies of that brief.

THE CHAIRMAN: Yes, we have, thank you.  
We might include them with Exhibit 11.

MR. O'NEIL: We wish at this point to refer to several of the more important points in that brief, and also to the last Nova Scotia Federation of Labour



submission to the provincial cabinet on the subject of the steel industry in this province.

That looks like a sort of bobtailed affair, but I felt that I could do no better than pass on to the commission the submission already drafted in laying out the ideas we have on the possibilities of an expanded steel industry. All the points I would refer to have already been included in that draft, which you have received for your information.

Before I go into that I would like to make one point or two with regard to the Trenton Steel Industries. I listened to the proceedings this morning, and I think possibly as good a case as could be made out was presented for the need to stabilize that industry. That was as good a case as we could make, the only difference in approach, of course, being that the corporation looks at it more or less from an economic point of view, that is income, and we look at it from the point of view of the assistance being given to the people being more important.

For the last five years or more the local union in that area have been making representations to different people in the federal government. They have voluminous correspondence in their files in connection with it; but the sad part is that it seems to be that while everybody agrees that something should be done to stabilize it, nobody has yet taken the plunge and said, "We will do something."

We are hopeful that the representations we are making before this commission will have some





effect and may result in some form of stabilization in that industry, through the method of ordering ahead which was suggested by the Dosco president this morning.

THE CHAIRMAN: Ordering ahead and evening your purchases over a period of years, rather than fluctuating year by year depending upon the prosperity of the railways at that particular moment. Is that your point there?

MR. O'NEIL: That is the general theme. It seems to be a boom or bust system. I believe some reference was made to six months of idleness this year, but I understand it was more like nine months. Some of the people there, recognizing the problems brought about by the intermittent order system, have attempted to develop other lines of work for themselves. They developed it in the summertime, but summertime seems to be when the orders come in, so they are prevented from getting those other sources of income, and they have had to remain idle during the winter. So that might be looked into, the question of the time of the year of the placing of orders, as well as attempting to stabilize the work the year round.

THE CHAIRMAN: I suppose it could be that this goes back to the system of the departments, including the Department of Transport and the Canadian National Railways, submitting their budgets on an annual basis, which might not be an appropriate basis at all in this day and age. Anyway I think it is a point we should certainly look into and we shall do so. We will talk to the railways about it to begin with,



when they appear before us.

MR. O'NEIL: Fine. I would like to refer to a couple of different pages in this submission on behalf of the industrial extension committee. At the bottom of the page you will notice it is stated that over the past ten years Canada has been importing about one-third of its annual requirements. I have not seen the latest figures, but there is nothing that has come to my knowledge to indicate that there has been much of a change in that situation, and that Canada is not still importing about one-third of its annual requirements.

We feel that in itself is sufficient to warrant some investigation into the possibility of expanding the industry to meet the needs of the nation; and we, of course, would like to see that expansion take place in this province, if it is possible to have that done.

I would like to refer next to page 4. Again possibly this is a repeat of what you gentlemen heard this morning, because it deals with one of the basic reasons we feel that Nova Scotia would be the place for expansion of the steel industry:

"The Dominion Steel and Coal Corporation operate a fully integrated steel plant at Sydney, Nova Scotia. All around it are the great Cape Breton coal fields, from which coal for coking purposes is obtained, and from which electric power is developed. High grade iron ore and also limestone are obtained by way of a short water haul from





Wabana, Newfoundland, and Aguathuna, Newfoundland, respectively. If the Ungava ore deposits should become more economically feasible than the Wabana ore it may also be obtained by a comparatively short water haul from Seven Islands to Sydney."

It is interesting to note in that connection that in their statement this morning they are now contemplating some use of the Ungava ore in a mixture with the Wabana ore.

Then at the top of page 5:

"All of these natural resources are at tidewater, an advantage not enjoyed by any other Canadian primary steel plant, and an advantage that is being sought by three American steel concerns."

That was at the time this brief was presented, in 1951, when the booming steel economy in the United States was the main topic of interest. Three United States companies were trying to get the special writeoff privileges extended by the United States government at that time, and were trying to locate in the tidewater part of the country for export purposes.

"Nova Scotia and the maritimes generally have a surplus supply of high grade labour, a condition that does not exist in any other part of this country."

We did have at that time, but I am not too certain what the situation is right now.

"The government of Canada, we





understand, is very concerned about the industrial labour supply for the rest of Canada, and are reported to be considering a stepped-up immigration policy to supply industry with the necessary labour; yet Nova Scotia has a surplus supply of combined brainy, ingenious labour that other provinces would like to import, but which is ignored as far as the development of Nova Scotia is concerned."

I think everything was in Nova Scotia at that time for the expansion of the steel industry. I think everything is still here, notwithstanding some of the objections raised by the president of the corporation this morning.

I understand, Mr. Chairman, that in your private business you are the head of a firm that goes in to companies to try to cure their ills?

THE CHAIRMAN: That is right.

MR. O'NEIL: You have quite a problem on your hands in clearing up the ills of our economy in Nova Scotia, and we wish to luck.

THE CHAIRMAN: Thank you very much.

MR. O'NEIL: I refer next to page 9. I think this is something that may well be looked at a little more closely than the rest of what I have said, because it shows the trend that has taken place. I would ask you to follow this closely.

"We acknowledge what local management has done in modernizing the Sydney steel plant. But we wish to pay tribute to labour for the



great part it has taken in helping to bring about a more efficient operation in the Sydney steel plant.

"However, in the light of the steel expansion programmes that are being announced all around us, perhaps at this time we should examine the changes that are contemplated or have taken place. The Arthur G. McKee section of the McGregor Dawson report released in 1944 states the rated capacity of the Sydney steel plant as being roughly between 733,000 or 750,000 ingot tons per year. At that time there were three coke oven batteries, four blast furnaces, five 100-ton open hearth furnaces, ten 50-ton open hearth furnaces, and one electric furnace. At the present time there are the same number of coke oven batteries, three blast furnaces operating, improvements made generally, so that with five of the 50-ton open hearth furnaces dismantled and torn out, the present rated capacity of the plant is about the same, roughly 740,000 ingot tons."

That was in 1951. You may find this very interesting, that since that time five more of the original ten 50-ton open hearth furnaces have been dismantled completely. The company is operating now with only five of the large furnaces.

You heard in the submission this morning that they have five furnaces of 190-ton capacity. Those





were the original 100-ton furnaces we hear about here. Through a process of deepening and broadening them, they have increased them to this capacity.

They also mentioned an annual figure of 650,000 tons. I cannot argue, but I think it is slightly lower than that. However, sufficient for the purpose is the fact that their original 16 furnaces are now down to five, or six if you include the electric furnace, but the total output has not materially decreased. It has decreased some, but not to any great extent. The productivity, the production per man hour is away up, so the company should have no growl about that. But we will have a growl, because we have some 1,400 people dropped from the payroll of that company in the last year or so, of whom only some 300 have been taken back.

That is the social aspect of this thing that bothers us. We feel it was necessary, certainly, to do the job of modernizing in order to bring the equipment up to par with the rest of the steel operators on this continent; but we feel they should have gone further than that. It is true that for a period last year and earlier this year steel sales were tight; but here we are again into an era when steel is in demand; and I believe had they expanded at that time they would have had a short period when they would have had some idle equipment, but they would have been in a position now to capitalize on that and probably capture markets they may never get again.



We feel that everything that was done there was necessary, but we figure a greater attempt should have been made to at least maintain the job opportunities of the people in that area through an expansion programme.

Now I go to page 10 of this brief, and what I have just said is on the top of that page. We figure that it was not enough to simply modernize. We figure they should have expanded and diversified the product.

I mentioned steel plate in the early part of the submission. There was a steel plate operation in the Sydney plant, which was operating for some time after the end of the first world war and for a considerable time after that. It was operated again during the second world war and for some time after that. The operation then was not only discontinued; the equipment was moved out and I believe sold. Now periodically one of our own industries in this province, the shipbuilding industry, is faced with a shortage of steel plate and they have to shut down, which we think is wrong. The equipment should be there to be used if necessary.

Then we get to the point where you ask, "Well, how do you go about getting your expansion? Who is going to pay for it?" We know there is a lot of money involved in that sort of thing, but I am going to ask you to look at page 10, under the heading "The Practical Problem of Money" and I refer you to recommendation No. 3:



"As a matter of public and national interest, the example which the American government is setting --"

I should say it was setting it at the time this brief was prepared.

" -- in assisting the establishing of the new plants on the Atlantic coast could be followed by the Canadian government.

"There may be any number of other solutions to this question, but we have every confidence that the provincial and federal governments, along with the corporation concerned, can work out, if they want to do it, some method of financing a project of such national importance."

I believe, Mr. Chairman, that is all I have to say on the subject, unless there are some questions you would care to have me answer.

THE CHAIRMAN: Thank you very much, Mr. O'Neil.

MR. STEWART: Mr. O'Neil, when I left Edmonton I was told that steel orders there were about four and half months behind schedule. What is your explanation of this phenomenon?

MR. O'NEIL: The steel products they wanted they could not get? I can well believe that.

MR. STEWART: What is your explanation of that?

MR. O'NEIL: I think it is simply a question of not sufficient capacity to supply the demand. You are





talking about companies which want to erect buildings and so on, who cannot get the steel supplies they desire. Is that it?

MR. STEWART: Yes.

MR. O'NEIL: That is the only explanation I can see, that the capacity of the operations in Canada is not sufficient to fill the orders; and I think the situation is the same in the United States.

MR. STEWART: This is not just a temporary, short-term phenomenon, then; you think it represents a shortage in the facilities now to meet the level of demand at this time?

MR. O'NEIL: I think that is right. Of course I must admit quite freely that I am not an economist, and I do not profess to know how the economy will develop. It has been very hard to assess what the peacetime requirements would be, of course, because for the last fifteen years we have had practically a war-time economy at all times; but following the slump that took place in late 1954 and early 1955, which was only a short-term affair and the economy rebounded, but as a result the situation you have in the United States today is that some of them are as much as six months behind in filling orders.

MR. STEWART: Is there unemployment amongst steel workers at the present time, generally and locally?

MR. O'NEIL: Generally there is not, and that is an interesting thing, to At one time we had in our union membership as many as 5,100. That was



just the people who worked in the industry, who were eligible for membership; there were others who were not eligible. We have about 3,600 people in that union now.

Algoma Steel, which is another of the basic iron and steel producers, were hit possibly a little harder than we were in the number of people dropped. I think they had some 2,000. They have them all reabsorbed now, and they have hired some 800 or 900 new people since that time. I believe their operation now has some 6,500 people, where at one period we in the Dosco plant were actually a larger outfit than Algoma. They had an expansion programme, and they were prepared to supply the demand when the demand was there. They were in a position to take advantage of that situation, and we were not.

MR. STEWART: It could be the nature of the demand, the specific things required?

MR. O'NEIL: To some degree that might be true, but by and large the products are roughly the same. They have some strip mills which we do not have, so they may have some of that product in demand; but rails, being such a heavy product, largely go to make up the backlog of the operation at both plants. So I do not think it is a difference in product that is responsible for the difference in the employment situation.

MR. STEWART: This may seem to you a stupid question, but when Algoma needs more people and there is unemployment here, is there any movement of labour from here?





MR. O'NEIL: Between the two centres?

MR. STEWART: Yes.

MR. O'NEIL: Not as a formalized thing.

The odd person might figure, "Well, I'm better off in Ontario than I am in Nova Scotia" and leave, but there is no formalized movement of that kind.

MR. STEWART: Has that been happening at all recently?

MR. O'NEIL: No. When the 1,400 people were laid off the situation was sort of confused for a time, with everybody on unemployment benefits. A fairly large section of that group were younger people who joined the services. Others moved out of the province, and others tried to infiltrate into other similar operations until employment again would be available; but to my knowledge there was no large scale movement. I think it was always on an individual basis.

MR. STEWART: How do wage rates compare as between here and in Ontario?

MR. O'NEIL: Up until this year they were relatively the same. The plants in Ontario now have considerably higher wages than are in effect at Sydney. That is one of the questions I mentioned a little earlier, with which I do not think the board has to deal, but in respect to which I think we have to deal with management. Did you want the more or less exact figure as to the difference?

MR. STEWART: No, I do not think so, thank you. I take it that basically your position is this. Let us suppose that for any reason an industry in a



particular location lags behind, or begins to decline. There can be many reasons for that; but if it does, is it your basic proposition that there should be some effort to stabilize the status quo there?

MR. O'NEIL: What you are suggesting is that labour should take the position of being prepared to accept lower wages in order to stabilize it?

MR. STEWART: No, I am not; quite the opposite. I understand that that is not what you are suggesting, of course; but in respect to the practical problem of money, if this were in fact a case like that -- I am not sure that it is, but if it were -- strictly speaking your position is that in a declining situation of that kind, where there is investment and where there is labour with its own investment in the situation, somebody should stabilize that situation?

MR. O'NEIL: Yes. We feel that the corporation has taken the position -- and from their point of view it might be the right one -- that rather than expand and take a chance on what the demand might be for their product later on, they will consolidate and hold on to what they have now and stay in the most profitable position they can get into, but we feel from the social angle that is not good enough for us. We feel they should be prepared to take a chance on the expanding economy of the nation, and if necessary should be assisted by the federal government in doing so.

MR. GRAUER: Bearing on that same point and looking forward now for several years, assuming



that the economy of Canada developed better in some regions than in others, is it part of your position that your union would not like to see your members go to a more active part of Canada, but would prefer to see the government come into this region and more or less shore up what is a declining industry?

MR. O'NEIL: Yes. We feel that if the trend should continue; if the labour force must be mobile and move toward the centres where industry is on the upgrade, then we may be left in this part of the country with nothing but a bunch of fishing families, and we do not like that idea. We feel it is in the interests of the nation's economy as a whole to do whatever is necessary to make us as self-sufficient as can be, so we can carry our own weight.

MR. GRAUER: But aside from that regional pride, you have no objection to your union members going to another part of Canada?

MR. O'NEIL: None whatever, because we are a national union. It is more or less a question of provincial pride and what we believe to be an economic fact; that if Canada is going to grow in that way you will be faced with a centralized Canada, built around two or three central provinces.

THE CHAIRMAN: Thank you very much, Mr. O'Neil.

MR. O'NEIL: I would ask on behalf of the federation that you hear now submissions from the two other large organizations, the coal miners and the marine industry. Mr. McLachlan will present the statement on behalf of the mine workers.





THE CHAIRMAN: Very well, Mr. McLachlan. I think your submission will be labelled Exhibit 12.

MR. McLACHLAN: Mr. Chairman and gentlemen, I too wish to express our appreciation on being here this afternoon.

District 26, United Mine Workers of America, representing some 10,000 mine workers in Nova Scotia and New Brunswick, highly appreciate this opportunity of expressing our sentiments before this royal commission on Canada's economic prospects. We feel confident that other maritime organizations will adequately deal with every phase of the maritime economy and our submission, therefore, will deal exclusively with the coal industry.

We deem it imperative at the outset to acquaint you gentlemen in a general way with the size, importance and social significance of the coal industry to the maritime provinces in general and to the province of Nova Scotia in particular.

The maritime coal industry produced 6,509,356 tons of coal in 1954. 87 per cent of this amount was produced in Nova Scotia and 13 per cent in New Brunswick. This coal was produced in the following towns and communities whose immediate future is dependent on continued coal operations -- Glace Bay, New Waterford, Dominion, Reserve, Sydney Mines, Florence, Bras d'Or, Inverness, Stellarton, Westville, Thorburn, River Hebert, Joggins, Springhill and Minto, New Brunswick. Then there are adjacent towns and communities which are indirectly supported to a very great extent by the coal industry.



These, of course, would include Sydney, North Sydney, New Glasgow, Trenton, and surrounding communities. It was stated by the government of Nova Scotia in its submission to the royal commission on the coal industry of Canada in 1945 that:

"The coal resources are a direct livelihood for some 20 per cent of the population of the province and indirectly for many more. The social and material welfare of a body of that size plays an important part in the over-all economy of the province."

The last Canadian census showed Nova Scotia with a population of 642,584. This would indicate that 128,517 people are directly dependent on the Nova Scotia coal industry.

The huge financial contribution accruing from the coal industry to the maritime economy in general and to the province of Nova Scotia in particular must not be overlooked by this commission. Practically every person in the province is directly or indirectly, to some extent at least, dependent on it. The coal industry pays out some \$50 million annually in wages and salaries; spends some \$15 million annually for materials; distributes some \$8 million to transport companies and pays large sums to the various governments in the form of taxes of one sort or another. The maritime economy can ill afford to have this great industrial giant disintegrate in whole or in part.

In addition to this, the Nova Scotia steel





industry is almost totally dependent on an abundant supply of suitable coal. Another important aspect of the coal industry, particularly to Nova Scotia, is that the future generation of electrical energy is predicated to a very great extent on coal since the hydro potential of this province has just about been exhausted.

#### The Mechanization Programme

One of the main problems that has always confronted the Nova Scotia coal industry has been that of low productivity. This has been mainly due to the submarine nature of our coal mines. There is no coal industry on the North American continent that has had to face such adverse physical conditions as are to be found in the coal industry of Nova Scotia. Therefore, soon after world war II, it became apparent that the Nova Scotia coal industry would have to attempt to become a highly mechanized operation in order to compete with American coal and other types of fuel.

Elaborate plans involving the spending of millions of dollars were then drawn up. The major operator in the province submitted these plans to the Dominion Coal Board with an application for a loan of \$7½ million which was to be supplemented by \$6 million from corporation funds. These plans were predicated on the assumption that a minimum market of 7½ million tons annually would be made available to the Nova Scotia coal industry. At that time it appeared as if a market of that size could be secured and maintained. The government loan was therefore granted on the premise that a 7½ million ton market would be available and so



the mechanization programme was proceeded with. It was estimated that operating results from the new equipment would justify the mechanization programme as a means of reducing costs to reasonable levels provided that the resultant production of  $7\frac{1}{2}$  million tons could be marketed annually. It must be kept in mind, however, that the advantages anticipated from the over-all mechanization programme depended entirely upon the full implementation of all phases of the plan.

We in the United Mine Workers of America have every confidence that this programme will go a long way toward rehabilitating and stabilizing the Nova Scotia coal industry. Very significant progress cost-wise has been accomplished in 1954 and though figures are not available, we have every reason to feel that more gains have been made in the current year. The benefits of mechanization could not possibly be realized in a couple of years, but some very concrete results are now becoming apparent to those connected with the coal industry. Unfortunately this great attempt to stabilize the coal industry has been forestalled due to a loss of very substantial markets and the original benefits expected from it have now become a topic of much speculation.

#### The Dieselization Programme

When the aforementioned mechanization programme was well under way, the federal government decided to dieselize the Canadian National Railways with little or no apparent thought given to what drastic effect this would have on the maritime coal industry.





This decision was taken despite promising government-sponsored experiments on a coal gas turbine at McGill University. It has been estimated that this dieselization programme will be completed in 1958 and will occasion an over-all annual market loss of approximately 1,000,000 tons of Nova Scotia coal.

#### Competition from Oil

The chief competition to Nova Scotia coal has been the widespread use of residual oil in both the domestic and industrial fields which hitherto used Nova Scotia coal. It has been claimed that this has occurred partly because of a lackadaisical sales policy of the various coal operators and partly due to economic forces over which those in the coal industry had no control. Oil used for heating purposes is of a residual nature and due to the increasing demand for the refined product, the oil producers have been enabled to periodically increase the cost of the refined product and decrease the cost of the residual product to a point where coal cannot compete with it. This competition which is being indirectly subsidized by the general public is now affecting the Nova Scotia coal industry to the extent of 1,250,000 tons annually. Further, for the past few years freight rates on oil have remained unchanged while freight rates on coal have been largely increased.

#### Labour-Management Relations

It has been amply demonstrated that the coal operators and district 26, United Mine Workers of America, have a mutual desire to make a success of the Nova Scotia coal industry. There have been no major





work stoppages since 1947. The coal companies and the union have co-operated in every way possible to stabilize this basic maritime industry. The formation of the Maritime Coal Bureau, which was designed to promote the sale of Nova Scotia coal, was fully participated in by the United Mine Workers of America. This effort was also enthusiastically joined in by the coal operators and the provincial governments of Nova Scotia and New Brunswick. In our estimation it has done much to stop the headlong race to oil in the domestic and industrial fields. One factor that has continually disturbed the mine workers of district 26, United Mine Workers of America, is that we have no representative on the Dominion Coal Board. It is our firm belief that a satisfied working force is essential to the eventual success of the maritime coal industry. This cannot entirely come to pass as long as the United Mine Workers of America are denied their rightful place on the Dominion Coal Board.

The United Mine Workers of America have exhibited a most responsible approach to the problems that beset the coal industry in the provinces of Nova Scotia and New Brunswick. The union, fully recognizing the position the industry was in, adopted a "stand-pat" wage policy since 1953, while our brothers in other industries were gradually increasing their respective standards of living. A policy of this kind, however, cannot be expected to continue. We reject, and we think this commission should reject, any idea of preserving the maritime economy by accepting substandard conditions. Naturally we cannot speak for other unions, but we



strongly emphasize that the coal mine workers of the maritimes are not prepared to keep this industry going indefinitely by accepting low wages. We have recognized and accepted our responsibility to the coal industry and now we expect that all those responsible to the coal industry be cognizant of the fact that maritime coal miners want and expect wage parity with other Canadian industrial workers.

#### Future Prospects of the Maritime Coal Industry

Mr. C.L. O'Brian, an influential member of the Dominion Coal Board, has estimated that Canada's coal requirements will not vary to any great extent during the next twenty years, assuming that various factors do not disturb our fuel economy. Lacking more authoritative information we must base our arguments on this prediction.

To maintain the status quo, however, is to leave the maritime coal industry in the same precarious short-run market position in which we now find ourselves. The maritime coal industry, particularly in Nova Scotia, urgently needs and rightfully deserves all the financial assistance it requires to complete the mechanization programme. Admittedly this may be costly until the transition is completed, but we sincerely believe that on completion the maritime coal industry will be able to share in the markets now held by American coal and other types of fuel.

Many reassuring statements have been made that the St. Lawrence seaway will benefit all Canadians. That may well be so, but the United Mine Workers of





America in district 26 are very concerned with this undertaking. It is our firm belief that the ore carriers from Seven Islands to the American lake ports will not be coming back empty. The obvious cargo on the return trip to Canada would be cheap American coal which these ore carriers will probably be willing to transport at bargain counter prices. We are happy that the seaway is finally going to become a reality but we strongly urge this commission that compensating arrangements be worked out if this project works to the detriment of any section of the maritime provinces.

It is the opinion of the United Mine Workers of America that the proposed trans-Canada natural gas pipe line will eventually become a reality. We must freely admit that we are now without accurate information as to what effect this will have on the maritime coal industry. Like the seaway, this is an unknown factor. District 26, United Mine Workers of America, however, views this proposed project with apprehension, particularly if it is projected into the province of Quebec. Again we must ask for compensating arrangements to be made by the government if the trans-Canada pipe line adversely affects the maritime economy. What we request may seem impractical and unjustified but it must be kept in mind that other segments of this country have done likewise and with a goodly measure of success. There is nothing improper, undignified or degrading about our asking for help from our national government.



### Recommendations

1. That the Nova Scotia coal industry be guaranteed a minimum market of  $7\frac{1}{2}$  million tons annually. It is only in this manner that the industry will be enabled to fully complete the mechanization programme and thus achieve a cost that will permit Nova Scotia coal to compete in markets that are not now available to it.
2. That the present federal government assistance to the coal industry be continued and increased if this is necessary to allow the mechanization programme to be continued.
3. That the federal government impose upon imported residual oil such duties as will protect the coal industry from this unfair competition.
4. That the federal government include allowances under its subvention policy sufficient to enable maritime coal to meet residual oils, whether of foreign or domestic origin, upon a fair competitive basis in our markets.
5. That the United Mine Workers of America be granted a seat on the Dominion Coal Board.
6. That the provincial government of Nova Scotia be urged to impose a tax on oil used for heating purposes. Legislation to this effect was passed in 1934, but was never proclaimed. It is our opinion that this legislation should be re-enacted, modified and proclaimed at the next session of the legislature of the provincial government of Nova Scotia.



7. That further dieselization of the Canadian National Railways be halted, suspended, or delayed, to give the coal industry a better chance to adjust itself and realize the economies of mechanization; and also to fully investigate the possibilities of the experimental coal gas turbine.

Mr. Chairman, that concludes our presentation, unless there are any questions.

THE CHAIRMAN: Thank you very much. On page 5 you mentioned that the freight rates on coal have been largely increased, but the freight rates on oil have remained unchanged. The oil would come in by ship, I suppose, would it?

MR. DULHANTY: That is oil transported by the railways. Apparently there is an agreement between the oil companies and the railways. The oil companies ship a certain volume of oil which would not be affected by an increase in freight rates.

THE CHAIRMAN: Does the oil come into Nova Scotia by rail?

MR. DULHANTY: Oh, yes.

MR. HIGGINS: The freight rates on oil have remained unchanged for the last eight years, whereas there has been an increase of 78 cents in the freight rate on coal in the same period.

THE CHAIRMAN: Your recommendation is that there should be a duty on imported residual oil. That imported oil would be coming from the United States and Venezuela, would it,

MR. DULHANTY: Largely from Venezuela. It is the Venezuelan stuff we are referring to, particularly.





THE CHAIRMAN: I am wondering how it would affect the Alberta oil industry, directly or indirectly.

MR. DULHANTY: All we are asking is protection as a basic industry in Canada. We are proud of our standard of living in Canada. When we have an imported oil coming into Canada which is produced by sub-standard wages, as low as 15 cents an hour, it must have a material effect on the economy of Canada, socially and otherwise; that is the oil coming in from Venezuela.

MR. McLACHLAN: Well, there are certain safeguards against American coal, and it seems rather ridiculous to us that at the same time imported oil should compete with both Canadian and United States coal in our markets. All we are asking is that something be done to safeguard the coal industry against that unfair competition.

MR. GRAUER: With respect to the seaway and the gas pipe line, you suggest compensating arrangements if they work to the detriment of this province. Those arrangements would be in the nature of measures to make up for any loss the coal or steel industry might suffer. Is that the idea?

MR. McLACHLAN: I think what we have to do there is recognize that the Canadian seaway and the gas line are being paid for by the money of the taxpayers of Canada. We as Nova Scotians will pay part of that cost. All we are asking is simply that if on the completion of those works it is found that they are detrimental to the coal industry, in order to maintain that industry in some semblance of



stability, measures will be taken by the government in co-operation with the operators of the seaway and pipe line to see that markets are made available to Nova Scotia coal.

MR. GRAUER: Leaving out the social aspect, and from a purely economic point of view, that would largely rob the country of the economic benefits of any such projects. If you had any such arrangements they would apply throughout the country, so that if at any time you introduced something that created an economic advantage in one area, if it affected any other area adversely, the federal government would be expected to compensate those other areas.

MR. McLACHLAN: I think first of all the federal government should determine in their own minds what is the value of the coal industry of Canada to the country. If they can say they can wipe out the coal industry, then the proper thing for us to do is to accept that. If on the other hand they deem that the coal industry, especially during periods of emergency, is a necessary industry, they cannot have a gas line in Ontario or Quebec displace coal with the result that a mine closes down; because a mine closed down in Nova Scotia means a mine finished. You do not close down any of our mines and then reopen them.

There is the other factor, that during time of war where would Canada have been, even in the last war, if it had not been for the coal industry? I think that is a point they have to determine. Do they feel the coal industry is necessary to Canada,





or do they feel that they could depend on imported oil during time of war? I think they have a vague idea of just what would happen.

MR. GRAUER: Your submission, then, really is that if the federal government finds that the coal industry is necessary for such reasons as you have mentioned, then you believe compensating arrangements should be made.

MR. McLACHLAN: I think they should look at the social aspect of the thing as well. In all those communities we have pointed out, the core of the community is the coal mine on which the men depend for a livelihood.

It is not good enough for us to say that because of some strange economic factor a coal mine must be closed today, and possibly some six months later we will have the coal miners going back to mining coal.

I think, for instance, of a coal mine closing and throwing 700 men on the street. That is 2,800 people without means of subsistence in that town. The schools and the churches and all those places, which are dependent on the income from that industry -- those are part of the Canadian economy, whether from an economist's standpoint or from a purely social standpoint.

MR. GRAUER: You would suggest that the economic advantages of any such innovation must compensate for the social losses, in the sense of being able to move or otherwise rehabilitate the



people adversely affected. Is that it?

MR. McLACHLAN: Oh, no, I don't think so. Our men are coal miners.

MR. GUSHUE: Your programme is all based on this sustained yield of  $7\frac{1}{2}$  million tons?

MR. McLACHLAN: After all, the position we are caught in as miners today is that the company has started this venture. The people running the mine feel that they have placed themselves in a position where they can at least to some degree regain markets. You cannot go halfway with that sort of thing. You cannot decide that you are going to mechanize the coal face and not mechanize the whole operation. It all has to be done at the one time.

To suggest that a coal miner should leave his home, as they have done; should leave his life's savings, his life's investment in a home and go to some other part of the country at 40 or 45 years of age and attempt to re-establish himself, I do not think is reasonable.

MR. GRAUER: Your submission is that they should be protected in their employment here?

MR. McLACHLAN: They have to be protected in their employment here, and I think the country has to realize that any further deterioration in the coal mining industry is going to work to the detriment not only of Nova Scotia but right across this country.

THE CHAIRMAN: Thank you very much, Mr. McLachlan. I think your submission has been very



helpful to us, and we have appreciated hearing it.

Now I believe we are to call upon Mr. Bell, secretary treasurer of the Maritime Marine Workers. We will mark your submission as Exhibit 13.





MR. BELL: Mr. Chairman and gentlemen of the commission, I want to say that you may notice that our brief is perhaps a bit all-embracing, in as much as it takes up not only the specific question of our own particular industry but also the problem of industry generally, both in the maritimes and in Canada; simply because of the fact that we find ourselves in an industry where we must tie in with the development of the problems of practically all industries in the country for our continuation and survival.

At the outset, we would like to express our satisfaction at the establishment of this commission. We believe that it is of the utmost importance that we Canadians take stock of our economic health, diagnose whatever ills there may be and prescribe the necessary measures to assure long-lasting health.

The Marine Workers' Federation, representing thousands of shipyard and other workers in Nova Scotia, New Brunswick and Quebec, is, of course, immediately and directly concerned with the effect of economic developments on its members and on the maritime provinces generally. However, as part of the Canadian labour movement, we are fundamentally concerned with what happens to Canada. In the years since confederation there have been a great number of royal commissions inquiring into the problems of the maritimes. Many valuable studies came out of those commissions. A number of constructive and sound recommendations were made during the course of the years. Unfortunately, a distorted regionalism prevented those commissions



from being even more useful than they were.

Our approach to the economic prospects of the maritimes, and those of Nova Scotia and New Brunswick in particular, is similar to that expressed in the report of the New Brunswick committee on reconstruction (Dr. Norman MacKenzie, chairman) which said:

"New Brunswick's economic welfare depends upon national prosperity." (p.24)

In short, the maritime provinces cannot enjoy prosperity and the kind of economic development which will assure a sound future for our children unless Canada has prosperity and a soundly-based economic development. The second question, that of the maritimes' lack of prosperity and sound economic future even when Canada as a whole is enjoying relative prosperity, is a serious one, and we intend to deal with it in the course of this brief.

Canada's economic future. We do not intend to even attempt an analysis of Canada's economic trends. What we do wish to emphasize, however, is that any such analysis must be firmly based on the real situation including its rather grave weaknesses, and not on a wishful thinking notion of what we would like our country to be.

Among the serious dark spots on the horizon, we point to the following:

1. Canada's economy is so tied to that of the United States that United States depressions hit our country quite hard. Large scale dumping by United States producers on the Canadian market, while





simultaneously closing the doors to Canadian exports into the United States, is a striking example. The economic ties, furthermore, are of such a nature as to make the very fundamental basis of our own economy as precarious as possible. Thus, our trade is concentrated in the American 'basket'. A very large and possibly decisive sector of our economy is owned and/or controlled in the United States.

Just on that, Mr. Chairman and members of the commission, not so very long ago, I believe it was on August 20, a very revealing statement was published in the Financial Post headed, "Canadian Money Not Wanted?". In that article reference was made to a speech by Mr. James R. Clarke, a vice-president of one of Canada's leading investment firms who, it says, gave this information to Americans in recent lectures at Chase Manhattan Bank in New York.

He points out that growing demand from Canadian investors for the opportunity to own part of wholly-owned subsidiaries of foreign companies is becoming apparent. The clipping goes on:

"World business has a major stake in Canada -- some \$11.5 billions. Yet of 4,253 firms which are branches of foreign organizations, only 2 per cent have taken in Canadians as partners.

"Mr. Clarke pointed out that those few companies which have given Canadian investors a chance to participate in their growth in Canada have found it sound public relations.

"And, he reminded that it is only a matter of time before Canadians will seek



and get a part of the ownership of foreign-owned firms. Canada, he pointed out, is able to generate from its own efforts 90 per cent of its capital needs.

"Mr. Clarke broke down foreign ownership of Canadian business as at the end of 1953."

He pointed out that United States companies controlled 3,235 of the 4,253 foreign-controlled firms, United Kingdom organizations controlled 801 and 217 originated in other countries.

These were the firms in which ownership would be recognized on the basis of direct investment, owned almost exclusively by the foreign investment circles. To further emphasize the dangerous situation that is developing economically, the same issue carried a quarterly statement of the number of bankruptcies in Canada, which pointed out that for the second quarter, 336 firms went into bankruptcy in Canada. Not knowing who those firms were according to the breakdown, nevertheless we can pretty well surmise that most of the companies that went into bankruptcy were not subsidiaries of the foreign-owned corporations, but in most cases were the wholly Canadian-owned companies.

THE CHAIRMAN: They would be small stores, I suppose, mostly, because bankruptcies have been relatively much fewer and their numbers smaller in recent years than they were before the war, for example.

MR. BELL: That is probably so, Mr. Chairman. The other point I am trying to make is that most of the bankruptcies would be Canadian firms in which





the control of the companies would be by Canadians, rather than by foreign investment.

The nature of our trade with the United States is such as to emphasize the shipping of Canadian raw materials to the United States, there to be processed, while importing into Canada fully-manufactured goods from the United States.

On that point we have very strong criticism of what is taking place, whereby these companies who are taking the raw goods out of Canada, and in most cases they are profitable operations -- very few of them are even leaving a dollar behind in Canada spent in building their ships in this country to transport the raw goods out of Canada. In fact in several instances where they operated ships which they had bought at bargain prices from the government after the war -- the remnants of the Park fleet -- they have been able to unload those vessels and are now having ships built abroad, which they register under Panamanian or other foreign registry to be free of control of Canadian legislation. So they are not contributing in any way in taxation, wages, or what have you, to the Canadian economy.

So from our point of view we have a very strong criticism to make of those companies who are exploiting our natural resources and are even going the limit and getting their carriers built abroad, where formerly they were built in Canada and registered under the Canadian flag.

In a number of cases, such as asbestos, iron, nickel and others, those very fully-processed





and fabricated goods which Canada imports from the United States are made from the Canadian raw materials shipped to the United States.

Not only is there a serious imbalance in this regard, but the imbalance is worse at the present time than it was in the pre-war period, in spite of the tremendous industrial development in Canada in the last fifteen years.

It is one of the facts of economic life that a rising standard of living and increased employment opportunities depend on industrialization. It is evident, therefore, that it is a matter for grave concern that Canada's exports (1953) should have been only 38 per cent what the Dominion Bureau of Statistics describes as "fully manufactured" while our imports were 76 per cent fully manufactured. The United States exports to Canada in 1953 were 84 per cent fully manufactured, while only 44 per cent of our exports to the United States were fully manufactured.

Canada, according to business journals and newspaper editorialists, not to mention government spokesmen, is now enjoying an economic boom. However, it seems hardly necessary to point out that an improvement over the 1954 decline does not constitute a boom. In our opinion, a crucial test of a country's economic soundness is her ability to provide employment to all those able and willing to work. The fact is that today in the midst of this so-called boom there are about 200,000 Canadians who cannot find jobs. That is a low figure, as no doubt your commission appreciates. We



had it as high as 600,000 in the last six months, out of a working force of 5,400,000. In addition, of course, there is a substantial, though unknown number, who are working in temporary jobs and under substandard conditions.

Though the commission is primarily concerned with long-term prospects, we believe that the developments of the last two years are very pertinent to the subject of its inquiry. Since 1954 was a year of decline, we propose to compare current conditions with 1953, a normal or good year.

We find that the volume of production in all industries in the first half of 1955 was about 3 per cent higher than in the whole year 1953. Employment, however, was 5 per cent lower. Comparing June, 1955, with June, 1953, we find the 1955 production index was almost 8 per cent higher. The employment index, however, was still slightly lower in June, 1955, than in June, 1953. Only in July, 1955, did the employment index reach the figure of July, 1953.

The implications for the future prospects are clearly that, failing a sharp change, there will be increasing unemployment in Canada, even if production remains constant or rises somewhat. Actually, the latter assumption is most improbable, for the gap between increased production and the ability of its producers to purchase it will surely result in severe economic dislocation and depressions.

The data on unemployment show that unemployed applicants on the rolls of the national employment





service amounted to close to 200,000 as of August 18 of this year, a rise of 25 per cent over the figure for the corresponding date (August 20) in 1953.

The conclusion is inescapable that the productivity of the Canadian economy and of Canadian workers is increasing but the economy is not expanding sufficiently to absorb the ever-growing labour force.

The current boom -- not really a boom compared with 1953 levels -- is based on a number of factors which do not add up to a thoroughly sound foundation for prosperity in the future. An early start in automobile production for the 1955 model year, a feverish race for maximum auto output, resting on swollen consumer credit and high pressure selling methods, a very large house building programme which has admittedly catered to the \$5,000 a year plus income group, with the federal treasury subsidizing the entry of the chartered banks into the mortgage field, these and the maintenance of a tremendous military budget are some of the special factors in the 1955 recovery. But do they hold out the promise of long-term prosperity for Canada? We doubt it. We recommend to the commission that these remarks be considered as an attempt to avoid false illusions.

We believe that Canada can and will enjoy long-term prosperity, but not on the basis of artificial respiration. We believe that some of the long-term measures, whose start, however, must not be delayed, involve:

Greater diversification of foreign trade, seeking customers, as our Prime Minister once said,



"Wherever there are markets to be found for Canadian exports..." (election address, June 24, 1949.)

Development of Canadian industries for the processing of Canadian materials in Canada.

Necessary measures to prevent dumping to the prejudice of Canadian industries.

Development of power resources in sufficient quantity to meet industrial needs in all areas of Canada. Incidentally, on the question of power, I understand that with the bringing into operation of the Beechwood development in New Brunswick, that in itself is going to meet only the peak load problem there, and is not going to provide any surplus power for industrial expansion in New Brunswick. That is the situation at this time when, as we know, there are some good prospects for establishing a smelter in the southern New Brunswick area.

As was pointed out here earlier, in Nova Scotia we have reached the end of our hydroelectric development, and naturally the question of future electric potential must come from coal or other sources. On that I must say that we certainly do not find it comforting in the statement made by the spokesman for the Nova Scotia Light and Power Company when he points to the fact that his company is able to supply adequate power to industrial firms wishing to operate in this area at costs that are generally comparable with costs throughout North America. We know that in the Canadian situation the cost of power as between Nova Scotia and





Ontario is at least double in Nova Scotia, and in some cases in some areas it is triple. Also it is possible, with the seaway development and its huge hydro development taking place, that cost of power in the Quebec-Ontario area might even drop, which would place us at a still greater handicap in our efforts to attract new industry into our country.

THE CHAIRMAN: They will not drop in Ontario.

MR. BELL: Possibly not, but perhaps in the Quebec area.

MR. GRAUER: You cannot use Nova Scotia coal for power and compete with hydro in Quebec and Ontario. You either have the hydro or you have not.

MR. BELL: That is quite true. We certainly appreciate the disadvantage, but at the same time we feel that somehow or other this question of power development has to be tackled, even if it is on the basis -- as you raised the question earlier -- as a compensating measure against the advantages that the seaway will bring to the people of Ontario and Quebec.

Above all, we believe that Canadians in all walks of life need to be alerted to both the dangers and the opportunities of the present situation. The New Brunswick committee urged ---

A programme of national economic planning to be formulated at once.

That view of the New Brunswick MacKenzie committee was expressed back in 1944. Canada has lost many precious years in applying that very sound advice.





It is not too late, however, and it is our hope that the present royal commission will mark the beginning of such a programme of national economic planning.

Implications of foreign-controlled enterprise. We believe that one of the most important subjects for study by the commission is that of the increasing role in the Canadian economy played by foreign capital, and specifically by United States capital.

It is significant that a number of important people, mainly bankers and industrialists as well as government leaders, have been trying to deprecate the importance of the role of United States investment in Canada. We have been told, for example, by Mr. G.K. Shields of the Canadian Manufacturers' Association, that net foreign investment now is only about 5 per cent of our total national wealth. We have been told by Mr. Gordon Ball, president of the Bank of Montreal, that only 8 per cent of the post-war capital spending in Canada came from outside investors. These comments cannot be taken seriously, and those making them are probably well aware of that.

To express the importance of United States capital investment in terms of its proportion to total investment is to say that \$10 million invested by Canadians in small home building, corner grocery stores and construction of a new sheltering home for the aged has the same importance, in the sense of economic power, as \$10 million of United States capital in an iron ore mine or an oil refinery.

United States capital investment in Canada



is distinguished by two main features:

It is principally direct investment, investment in branch plants, mines, etc., under the control of the American corporation as distinct from portfolio investment, in bonds, stocks, etc., which are designed to provide steady dividend and interest revenue, not actual financial and operating control. About 60 per cent of United States capital investment in Canada is direct investment. The Dominion Bureau of Statistics definition of "direct investment" is based on ownership of 50 per cent or more of the stock of the Canadian company by United States or other foreign investors. This is altogether unrealistic under present day conditions in which ownership of even 1 per cent of stock can involve effective control. The United States Department of Commerce considers 25 per cent stock ownership by United States investors as sufficient for control and, therefore, direct investment. It follows that the figures used here, based on Dominion Bureau of Statistics data, grossly understate the case.

Just on that question, we feel that might actually be one of the reasons why our primary steel plant here in Nova Scotia, for example, is unable to expand; simply because of the fact of the control that may exist by outside interests who have some special interest against the expansion, particularly of secondary steel plants, in this part of the country. On that, of course, we know that the corporation claims that of the 8,203 shareholders as of December 31, 1952, some 6,749





who held 81.2 per cent of its shares resided in Canada. The remaining 18.8 per cent of the shares are held by residents of 24 different countries. We say it is quite possible that some of the 6,749 so-called Canadian shareholders could be holding shares for foreign interests; and even if that is not the case, then the remaining 18.8 per cent of the shares held abroad could be one of the stumbling blocks holding back the expansion of secondary steel here in this part of the country.

The United States direct investment is concentrated in key industries in such a fashion as to result in effective United States control over many of the most decisive industries in Canada. United States-controlled companies are the largest, generally, where there are both Canadian and United States companies in a given industry. United States-controlled companies in Canada accounted for about 35 per cent of the total capital investment in Canadian manufacturing back in 1950. In mining the proportion was about 46 per cent. In the oil industry American-controlled companies account for at least 70 per cent of the total investment (1953).

The implications of the pattern of United States capital investment in Canada appear when even a few of the industries which are entirely or mainly dominated by United States-controlled companies are mentioned. Automobiles, electrical machinery and apparatus, nickel mining and smelting, aluminum, asbestos, diesel locomotive manufacturing, iron ore, telephone (Bell), chemical, pharmaceutical, pulp and paper, full-fashioned



hosiery, synthetic textiles, rubber products.

In the maritimes, whole regions are dependent on the operations of United States-controlled companies. The big base metal mining development around Bathurst is effectively, if not formally, controlled by St. Joseph Lead. The New Brunswick Paper Company (International Paper) at Dalhousie is a major unit in the maritimes industrial picture. The huge United States Gypsum Company is extracting raw gypsum from the Windsor area, while its counterpart, National Gypsum (Canada) Ltd., has recently moved its operation from Dingwall to the Milford area.

That is just outside Halifax; and on that point I might state that until very recently here in the province of Nova Scotia gypsum was not even recognized as a mineral. Therefore the province did not collect a royalty on the raw gypsum, and it was only recently, through the agitation of labour and other groups in the province, that a royalty of 6 cents was at long last imposed. I believe those two companies take out over  $3\frac{1}{2}$  million tons of gypsum a year from the province of Nova Scotia, which I believe represents around 85 per cent of the total gypsum quarried in Canada.

In Cape Breton, Booth Fisheries is a major factor in the fish industry, and here in Halifax we have the National Fish Company. There have been frequent claims that Dosco is closely connected with important interests in the United States, though there is no clear evidence on it.

It is not a matter of sentiment that is





involved. Rather it is the very fundamental interests and future of the Canadian economy which are at stake. United States corporations are naturally concerned first and foremost with profits and with the state of the economy of their own country, the United States of America. There are an increasing number of cases where there is a conflict between the action which would advance the economy of Canada and that which serves the interests of the United States economy. The interests of Canada, for example, call for maximum utilization of our natural resources for processing and fabrication in Canada. The United States corporations, on the other hand, wish to extract our resources in raw or nearly raw state for processing in the United States. The case of the Ungava-Labrador iron deposits, the gypsum and lead and zinc of the maritimes and pulp wood of these provinces are illustrations.

It is our understanding that in one section as much as 80,000 cords of raw pulp are being taken out of the province to be processed abroad; and the company even violated its agreement with the province. The agreement called for the wood to be taken out in the processed state, and the company involved merely debarked the wood. When the government raised the question that they were not living up to their agreement and that they should be turning it into raw pulp sulphite, they said they were fulfilling their agreement; that just taking the bark off was a process. The case went to the courts and the company was upheld. It was held that taking off the bark was a processing,





and therefore the company was able to take out approximately 80,000 cords of wood a year to the United States for manufacture into pulp and sulphite.

It is of considerable interest and importance to remember that several years before the present royal commission on economic prospects of Canada was constituted, the United States government set up its own Paley commission to deal with the prospects for the next 25 years, particularly with regard to supplies of raw materials and power. The Paley commission, it will be remembered, discussed in some detail the role of Canada's resources in terms of the United States needs, not in terms of Canada's needs. The St. Lawrence seaway, for example, was dealt with in Paley as a submarine-proof roadway for the transport of Canadian iron and other materials to United States ports. There is no serious suggestion in the Paley report that Canada's resources might best be developed in and for Canada.

We consider that the growing domination of our economy by foreign interests is a matter of the utmost concern. It is of the greatest importance to consider the full implications of a situation wherein Canadians may lose their employment through a decision based primarily on the interests of foreign industrial or financial groups.

The maritimes - a depressed area. It has been stated and repeated many times that the maritimes constitute a depressed area and require special measures.

The Rowell-Sirois commission in its report stated:



"New Brunswick shares with Nova Scotia the unhappy distinction of the longest unfavourable economic history of any Canadian province." (Book 11, p.91)

The Dawson commission presented in detail the evidence of unfavourable comparison as regards nutritional standards, wages, farm income, education and a host of other basic indicators.

The most striking evidence on the economic health of the maritimes is probably that on the export of people from these provinces. In the 50-year period 1881 to 1931, for example, there was a net outward migration of 464,000 people aged 10 years and over. (Dominion Bureau of Statistics: The Maritime Provinces in their Relation to the National Economy of Canada. 1948. p.7)

The striking difference in population growth in the last 15 years shows that the trend of the past is still continuing. Thus, the population of Canada as a whole has increased by almost 39 per cent between 1939 and 1955 (June). In Nova Scotia, however, the increase was only 22 per cent and in New Brunswick only 25 per cent. In the period since the end of the war (1946 to June 1955), the Canadian population has risen by 27 per cent, while in Nova Scotia and New Brunswick the rise has been only 12 per cent and 17 per cent, respectively.

The inferiority of the maritimes is not limited to industry. In agriculture there is a sharp difference which indicates a chronic problem in the





maritimes. If one examines the 1951 census data with regard to what could be called "sub-subsistence" farming, measured by the proportion of farm operators who spend half the year (157 days or more) in outside work, it is found that the proportion in Nova Scotia and New Brunswick is about double that in Canada as a whole and in Quebec and Ontario (10 per cent in Canada, 11 per cent in Quebec, 11 per cent in Ontario, 22 per cent in Nova Scotia, 21 per cent in New Brunswick.)

The wage levels for industrial workers are far below those in other areas of the country. Average rate for unskilled labourers in manufacturing, as of October, 1953, was only \$1.11 in Nova Scotia and \$1.00 in New Brunswick, compared with \$1.22 for all of Canada and \$1.27 for Ontario.

In its 1949 brief to the Nova Scotia government, the Nova Scotia Federation of Labour pointed to a number of indicators of the lower living standards in the maritimes. These include: chronic unemployment, lower wage rates, longer working hours, inferior housing conditions.

The depressed condition of the maritimes' economy affects, in turn, the state of provincial and local government finances, and the possibility of providing health, education and welfare services.

"The long history of adverse economic conditions in the maritimes.....are reflected in the low taxable capacity of the region." (Dominion Bureau of Statistics: The Maritime Provinces in their Relation to the National Economy of Canada. p.202)



There are those who believe that war and the heavy arms expenditures at the present time of the Canadian government can cure the economic anaemia of the maritimes. The Dawson commission, however, concluded that:

"There can be no doubt that the vast war expenditures throughout the dominion have done Nova Scotia little permanent good."

The nature of the very limited wartime capital investment by the Canadian government in the maritimes was mainly in military camps, air fields and other facilities with little or no peacetime economic value. The one exception to that, Mr. Chairman, is the fact that the installation which the government put up over on the other side of the harbour as a wartime plane repair depot has been taken over by a British company, the Fairey Aviation people, who have come in; but even there you will note that the bulk of their work is government work, and it is not industrialization that could be perhaps maintained if defence contracts were cancelled or cut down.

The Dawson commission report points out that, of a total of \$714 millions spent from 1939 to 1943 on fixed industrial assets, only \$17.6 millions, or 2.5 per cent of the total was in the maritimes, although the maritimes had about 10 per cent of Canada's population.

There have been a number of royal commissions in the last fifty years to see what special measures are needed to help the maritimes. In such cases, recommendations were made which reflected





serious concern and desire to alleviate the distress. Unfortunately, the various commissions have generally dealt only with part of the problem. Recommendations have tended to be concentrated on the coal problem without proper relationship to the other economic problems of the maritimes and without relation to the economy of the country as a whole.

It is clear that the maritimes cannot be left indefinitely as a poor relation, whose problems are investigated every ten years or so by a royal commission. These problems are of a nature as to require bold measures at all levels, supported by large-scale assistance on the part of the central government. The answers to the economic difficulties of the maritimes cannot be found unless the usual objection, "Can we afford to do it?" is replaced by, "Can we afford not to?" In short, there are measures which, on a simple dollars and cents basis, do not appear to pay. However, where the immediate and future economic interests of the Canadian people are concerned, the question of a fast profit must be set aside, at times, in favour of long-term benefits. The Intercolonial Railway was constructed along an unprofitable route because other overriding considerations required it. The transcontinental railway systems would never have been built had the ability to show an immediate profit been a requirement.

#### Economic Needs of the Maritimes

Power. We believe that the development of large amounts of power is a fundamental need in the maritimes at the present time. A number of other needs, such





as development of natural resources, additional markets for coal, etc., are dependent to a considerable extent on the solution of the power problem. Monthly power consumption per capita in Nova Scotia and New Brunswick amounted to only 137 kilowatt hours compared to 365 for Canada as a whole. Water power development, however, shows an even more striking inferiority. Developed hydro power, in 1953, amounted to about 275 horsepower per thousand population in Nova Scotia and New Brunswick compared with over 1,000 horsepower per 1,000 population for the country as a whole. Of course the contrast is pretty noticeable, particularly in Nova Scotia.

THE CHAIRMAN: Have you found water power itself pretty hard to develop?

MR. BELL: That is right.

However, even the above disparity in hydro power is an understatement. The proportion of total hydro power developed and consumed by the pulp and paper industry is very much higher in the maritimes than in Canada as a whole. Thus, the Dominion Bureau of Statistics report on the maritimes in relation to the economy of Canada notes that 20 per cent of all hydro power is developed and consumed by the pulp and paper industry. In Canada as a whole the ratio was about 9 per cent as of 1946.

In short, there is relatively much less power available in the maritimes than in the country as a whole, and still less for general industrial development.

Several years ago the Mackenzie committee



on New Brunswick reconstruction stated:

"The whole future of industrial development in New Brunswick is contingent upon an adequate supply of cheap electric power. Furthermore, there should be surplus capacity ready for any ordinary power demand...."

Newspaper headlines in recent weeks confirm the crucial role of power in regard to New Brunswick industry.

"Power Lack Retarding Exploitation of Metals" (Globe and Mail, September 16)

"Power Plus Metallurgy Hold Keys to Major N.B. Growth" (Financial Post, September 17)

The extent of the problem is shown by the following statement:

"A single smelter would probably demand 100,000 horsepower, about one-third of the present combined output of the New Brunswick Electric Power Commission and private companies." (Globe and Mail, September 16, 1955)

Another point in connection with the power development is that for a number of years we have urged that the federal government live up to its promise made at the time of confederation -- not because of that alone, but because of the fact that there is a greater need for it -- and that is the development of the Chignecto canal. Two years ago, at an educational institute here in Halifax, the past president of the Canadian Manufacturers' Association, Mr. Hessler, from





Sackville, pointed out that he had invited at his own expense an eminent hydroelectric man from the United States, Mr. Cooper, to look over the Chignecto situation; and Mr. Cooper certainly confirmed his views on the matter, that the Chignecto canal was not only necessary and feasible as an aid to navigation, but also as a power potential.

We contend that there has not been sufficient interest shown by the federal government of late in the matter of looking into the possibilities of the Chignecto canal. That might be one of the compensating measures the federal government could well undertake to help us overcome the disadvantages of the seaway.

MR. GRAUER: What is the potential of that development, do you know?

MR. BELL: I do not know at the moment, but I recall Mr. Hessler saying that Mr. Cooper had told him that it was worth while; that the cost would somewhere between \$50 million and \$100 million, that is for both the canal itself and the installation of the turbines and power generating equipment.

MR. STEWART: Is the power generated there by the tidal flow?

MR. BELL: That would be the development in that particular operation.

The Dawson commission also stressed the power problem.

"Aggressive measures can and should be adopted to increase the consumption



per capita and thus reduce the unit costs."

Among the major power sources recommended by the Mackenzie and Dawson reports are: Fundy tidal resources (Petitcodiac and Memramcook rivers), Grand Falls, St. Croix, coal-generated power.

In addition, we believe that serious consideration should be given to the use of atomic energy and the Passamaquoddy tides as sources of power in the maritimes. In reference to the latter, we find that the United States Congress has ~~re~~opened the whole question of Passamaquoddy and seem to be moving on it at this particular time.

Secondary steel industry. The present Dosco situation is that output is concentrated in those forms suitable for rail and plate. A host of important products, such as structural shapes and, especially, light flat rolled products, notably sheet and tinplate, are not produced in the maritimes.

It hardly seems necessary at this stage for us to detail why the development of a secondary steel industry is of great importance to the economy of the maritimes and to that of the country as a whole. In the Dawson commission report there is included a very elaborate report on precisely this subject by Arthur G. McKee and Company of Cleveland, engaged specifically for the purpose of studying the iron and steel industry in the maritimes. The McKee report pointed out that the development of a secondary steel industry would not only provide opportunity for employment (1,500 to 2,000) in itself, but also provide





the basis for a host of additional fabricating industries, such as metal lath, hollow ware, milk cans and other containers, etc., which would have a still greater potential.

The McKee report correctly emphasized that the establishment of the secondary steel industry cannot be dependent on the local market alone, but would cater to export markets as well as to markets in other parts of Canada.

It is of interest, in this connection, to note that one of the problems at present in some of Dosco's own operations, such as the Halifax shipyards and the Eastern Car Works in Trenton, is the absence of facilities in the maritimes for manufacturing of such items as steel plate, small structural shapes, etc. These are brought down from Quebec and Ontario and are affected by the heavy burden of railway freight costs.

On that I would like to point out that in this very chamber a number of years ago, following the end of the war, we were successful in getting a contract to build river gunboats for the Argentine government. One of the problems at the time was the lack of plate, and this in the light of the fact that just a few years prior to that the plate mill at Sydney, which had been operated by Dosco and largely financed by the government, had been dismantled. The corporation itself admitted that it was doing everything possible to scare up plate at the time, and was actually looking around in the gray market in order to pick up the necessary plate to get the job. Some plate was coming in from central





Canada, but it was not coming down in sequence to permit the start of the work. There was quite a bit of unemployment in the area at the time, and as a result they were even prepared to go into the gray market and buy up whatever steel they could in order to start the job.

That is the situation that faced one of Dosco's own units. We must recognize that the lack of the light stuff, flat rolled plate and the sheet stuff, is something that will continue to hold us down, and certainly could be a venture that should be undertaken at this particular time.

Utilization of maritimes ports. This subject was spotlighted recently when it was revealed that the Minister of Trade and Commerce has been briefing Canadian exporters on the importance and advantages of shipping through New York and other United States ports. The fact is, of course, that far too great a proportion of Canadian exports is now routed through United States ports. For a number of years now, for example, a very substantial part of Canadian export wheat has been shipped through Buffalo to New York. Unfortunately, the Dominion Bureau of Statistics shipping reports do not make it possible to determine exactly what the proportion is. We submit that Canadian exports should be handled through Canadian ports, just as United States exports are handled through United States ports. The tremendous natural advantages of the maritime ports are not now being utilized to the full extent. This situation calls for corrective measures, including



improvement of harbour loading and docking facilities and special steps of various types to stimulate the use of Canadian ports rather than those of a foreign country.

Expansion of markets for maritime products. It is not possible, in this brief, to present an elaborate exposition on how markets can be expanded for coal, apples, potatoes, fish, forest products as well as industrial goods such as ships, railway equipment, etc.

The problem of coal has been studied in tremendous detail by numerous commissions. Some of the possibilities suggested by various commissions include hydrogenation of coal into oil; central or district heating; underground gasification of coal, etc.

The hydrogenation of coal is a form of emulsification. On that I noticed in the Miners' Journal of Great Britain -- and I was surprised to see it -- coal trucks driving around parts of Great Britain which looked just like oil trucks. They drive up to apartment buildings and the coal, in an emulsified state, is pumped into the buildings. I understand that is being encouraged by the government to help overcome the smog situation in the United Kingdom.

As we see it, the first question which Canada must ask itself is simply, "Are we to have a coal industry? Under what conditions?" For years now Dosco has been receiving handsome subsidies from the public treasury in order to help it sell its coal, modernize its mines and, generally, to keep the industry going. The United Mine Workers, district 26, estimated that from 1940 to 1947 the Dominion Steel and Coal Company had





received more than \$50 million in subsidies. (Memorandum to Dominion Coal Board, August, 1949) The development of the "Dosco miner" has been financed, in part at least, by government subsidy. In spite of all this, the industry is still in woeful shape, with a number of major pits closed and others on the waiting list.

While, admittedly, the expansion of Nova Scotia's coal market involves factors other than the displacement of United States coal from the central Canadian market, there can be little question but that is a major factor. The Duncan commission of the 1920's recommended clearcut measures in order precisely to "displace up to 35 per cent of the importation of American anthracite". (Royal commission on coal, "Carroll Commission", p.490) The Domestic Fuel Act of 1927 was designed to assist in the building of coke plants throughout the country which would use Canadian coking coal. While the act, like the Coke Bounties Act and P.C.944, have not had the effect which was hoped, namely to "go far towards solving the coal problem in the maritime provinces", the measures were constructive and positive ones and well-intentioned. The Carroll commission noted that the various legislative and administrative measures regarding coking plants did not produce any substantial market in Quebec and Ontario for maritime coking coal, mainly because the Montreal Coke Company continued to import the overwhelming bulk of its requirements from the United States. Montreal Coke, as is well known, is controlled by the Koppers Company, a gigantic United States chemical organization,



in the Mellon family's orbit, and closely linked with important coal producers in the United States.

The Dawson commission suggested a national fuel policy is essential at the present time, a proposal advanced by the labour movement on many occasions. Of some interest is the Dawson report's comments on the possibilities of a plastics industry as a user of coal as raw material. However, a major problem, according to Dawson, is the need for location near the coal mines to take advantage of thermal power (coal-generated) in addition to large capital investment.

I was speaking to the secretary-treasurer of district 26 today, and he mentioned the fact that while the company is enjoying a bit of a market in western Germany, one of the reasons is that western Germany is using most of its own coal because of the fact that they have developed a synthesis procedure for extracting the many by-products from coal; so the market we have there is perhaps merely a very temporary one because of the fact that for the time being they are finding it more profitable to utilize their own coal for this by-product use.

Dawson notes with considerable understatement that:

"Unhappily, the zeal of the Dominion Iron and Steel Company in establishing subsidiary industries in Nova Scotia has not been so pronounced that anyone will be disposed to place much reliance upon its initiative in a matter of this kind."





The problem of markets for other products, such as fish, forest products, apples and industrial goods, is closely bound up with the general question of foreign trade, currency and embargoes. The desperate efforts to export fish to the United States in a struggle against tariff walls and arbitrary customs procedures is in dramatic contrast to the strange lack of interest in large scale, traditional markets for maritime fish, where the problem is due to Canada's refusal to accept anything but dollars. That is particularly noticeable in the latest move by the United States government to stop the special type of export we have been making, in the form of fish blocks and pre-cooked frozen fish. That has been cut down quite fine, and it appears that this market is going to be lost to us in the very near future at the rate the United States fish interests are taking steps against us.

The British West Indies, a traditionally important market for our fish, now buy relatively little because of the currency problem. The Canadian government, in our opinion, should accept sterling and other currencies for our produce. In addition to currency, there is another obstacle in the way of expansion of markets. This is the fact that certain products are not permitted to be exported to certain countries, namely the U.S.S.R. and other socialist countries. China, a market of 650 million people with incalculable needs, is not permitted to buy anything of account from Canada. Other western countries are





busy building ships for the Soviet union. The Canadian government, however, bound by the United States-imposed embargo on strategic materials, does not permit Canadian shipyards to sell commercial vessels over a very limited size.

I point out that before the royal commission on the coasting trade, we filed an exchange of correspondence between our national council of shipyard unions and Right Hon. C.D. Howe, in which he pointed out very emphatically that because of an agreement worked out between the United States and Canada it is not possible at this particular time to issue an export permit on an ordinary cargo vessel of 10,000 tons, to be shipped out to any of the eastern European countries, notwithstanding the fact that yards in Europe, West Germany and Italy are building them at the present time.

China's economic development will probably not be stifled by the Canadian government's embargo on trade with her. Western Germany and other western countries are supplying considerable quantities of industrial goods to China.

Just on that point, I read a little article by John Barnes, the president of the Firefighters' Union in Great Britain, who on his return from China was passing through Canada, and who spoke at a trade union meeting. He said he was with the British consul in Peking and looked around and saw a square full of United States cars. He said, "I thought you people were not trading with this country." The



consul replied, "Well, we are not; but we trade with Japan, and naturally these cars are very easily obtainable in Japan and brought over here."

At the same time a British firm wanted to sell an order of penicillin worth three-quarters of a million dollars to the Chinese government. The United States intervened, and China turned around and bought it from a West German firm.

So it appears that in these days of economic tightening up, the gauntlet is going to be thrown down and people will trade with one another regardless of so-called agreements they may make with each other on the side.

MR. STEWART: What kind of goods would you take from China in exchange?

MR. BELL: Well, I don't know. I think we could sell a lot of our surplus wheat there in exchange, and bring in such things as hides. I think there are certain other things, such as medicinal herbs. I understand they have tungsten in large quantities that we could use here in Canada and the United States.

MR. STEWART: Would that not compete with Canadian products?

MR. BELL: Well, I don't know. I think we import hides, do we not? I think we import hardening materials such as tungsten, too.

MR. STEWART: What kind of wages do they pay in China?

MR. BELL: A little better than they pay in Nova Scotia.





MR. STEWART: A little while ago we heard about the devastating effects of imports from low-wage countries.

MR. BELL: The main victim of the embargo is Canada herself, especially the maritimes, which needs greatly expanded markets for her present industries and to support others yet to be built.

Development of natural resources. We have touched on the problem of export of Canada's raw materials for processing in the United States and elsewhere. As far as the maritimes are concerned, this problem now affects at least two major industries, forestry and mining.

The Dawson report notes that Nova Scotia's forest resources have been "recklessly and wastefully exploited", and emphasizes that the "alienation of much of the public land complicates the problem today".

In respect to policy on alienation of crown lands, there is a great difference between the maritimes and Quebec and Ontario. Where only 7 per cent of forest lands are privately-owned in Quebec, 6 per cent in Ontario and less than 4 per cent in British Columbia, privately-owned forest lands amount to 71 per cent of the total in Nova Scotia (half in holdings of more than 1,000 acres), and more than 50 per cent in New Brunswick (20 per cent in holdings greater than 1,000 acres).

The result is that there is far less supervision of forest resources in the maritimes than in other provinces. The report on the regional economy



of New Brunswick, prepared for the Mackenzie committee by J.R. Petrie, estimated that in 1941 New Brunswick exported more of its pulpwood than it used in its own mills.

"This means, of course, the loss of employment and profits to New Brunswick."

It is entirely within the power of the provincial governments to take legislative and administrative measures to eliminate or reduce the practice of despoiling maritime forests in order to supply United States pulp and paper mills with raw materials in the form of pulpwood. Both Quebec and Ontario governments were obliged to take such action many years ago. This was an important factor in the development of a tremendous pulp and paper industry in Canada. Pulpwood is still exported from both Ontario and Quebec, but there is control through the requirement of special licence or permit. We strongly urge all necessary steps to prohibit or discourage export of pulpwood through legislation.

On that, we have recommended to the provincial government at different times that they could effectively take steps along the following lines to stop the exportation of raw materials; for example, by imposing two scales of royalties, one royalty, for example, on those mineral resources which are processed in the province, and another on those which are taken out. We feel that the same principle could be applied to pulp and other forest products, to ensure that at least if they were not going to be processed into finished form in the province, the provincial revenue would benefit, and they





would at least seriously consider developing all or part of their products in the province. I think a dual set of royalties might help curb the situation.

The New Brunswick government has recently stated that it will not permit minerals to be exported in raw form.

"The government will not permit our mineral wealth to be extracted and shipped outside of this province for processing elsewhere." (June 13, 1955)

There is evidence, however, that the giant United States concerns, St. Joseph Lead and American Smelting and Refining, which own most of the major base metal developments in New Brunswick, are seeking to wriggle out of completely local processing, **invoking** power shortage as an excuse. (Globe and Mail, September 16)

In Nova Scotia, on the other hand, there is not even the publicly-stated policy in this connection. The huge gypsum deposits of Nova Scotia are being hauled away to United States Gypsum's and National Gypsum's plants in New Jersey and elsewhere in their raw state. The Dawson report, more than ten years ago, recommended that "some definite attempt should be made to increase greatly its manufacture within the province".

Other mineral possibilities noted by Dawson include magnesium from dolomite deposits as well as certain other minerals. It is of the utmost importance that the maritime provincial governments





take steps at the present time to legislate and take other measures to encourage the full development of our natural resources in the maritimes. This requires, in addition to positive measures to encourage and stimulate the establishment of industries for processing and fabricating these materials, measures to effectively prevent or greatly restrict the export, in raw or nearly-raw form, of our mineral resources.

The need for development of a Canadian merchant marine. On this I would like to point out that while I was interested in Mr. Forsyth's definition of our economy, as being one of the ribbon type because of lack of an integrated transportation policy, I think the way it stands now the ribbons are pretty well tied up at each coast. We feel that we should have an integrated transportation policy that does not only tie in the railways and motor transport within the country, but certainly should go beyond that into coastal shipping and ocean shipping. That is one of the reasons we wish to develop our point as to why Canada needs and should have a Canadian merchant marine.

The federal government has shown an extraordinary disregard of the need for maintaining an adequate Canadian merchant marine. The situation has deteriorated to the point where only about 4 per cent of Canada's overseas trade is carried in Canadian flag ships (1953). Back in 1947, when a good many of the ships which were built during world war II were still operating under the Canadian flag, the proportion of Canada's trade carried in Canadian ships was more than 20 per cent.



It is almost unbelievable that a country such as Canada, which is one of the largest trading nations in the world (fourth highest in 1954) should allow herself to become almost completely dependent on the ships of other nations for the carriage of her goods. This is a situation which would not be tolerated by any of the other major trading nations of the world. All other important trading nations have taken measures to maintain and protect the operations of a national merchant marine. Canada should take similar measures.

On that I would like to file a supplement to our brief. It is a summary of the extent of the aid and assistance which other maritime nations in the world have in effect for the encouragement and development of their merchant marine. We have it in printed form here, and I shall be glad to leave it with the commission. You will notice from it the fact that Canada is the only major maritime nation that does not give, in some way, assistance and support toward the development of a deep-sea shipping fleet.

On this point we agree with the Canadian Shipowners' Association who recently stated:

"What is needed is a plan which will not merely enable ships to operate under the Canadian flag, paying Canadian wage rates, using Canadian repair and supply services, but will also provide ship owners with the means and incentive to replace older ships with new and more modern ships."





We are not suggesting that such a plan attempt to provide that all Canada's overseas trade be carried in Canadian ships. Under present circumstances such a policy would hardly be practical, either from the point of view of cost or from the point of view of relations with other countries. In the opinion of the Canadian Shipowners' Association, an adequate first step would be to achieve a situation where 10 per cent of Canada's overseas trade was carried in Canadian flag ships. If this level were achieved, it would mean that the nucleus of an efficient merchant marine, which could readily be expanded as the need arises, would be maintained. This obviously is not a utopian objective. It is one which could very readily be achieved if the government were to tackle the problem in a realistic fashion. We think that 10 per cent is rather low and that 50 per cent would be a reasonable objective. Things have sunk to such a low ebb, however, that even the 10 per cent objective requires a major change in government policy. We therefore urge the immediate adoption of the 10 per cent objective with the view of reaching 50 per cent when that becomes practical.

The fact is that Canada cannot afford not to maintain a merchant marine, at least at the minimum level which we suggest. If Canada does not have some merchant marine of her own there is always the danger that ships will not be available to carry Canada's trade at any time when a shortage of shipping develops. There is also the point that nowadays people who own ships are also connected with other industries, and it



is only natural that if we were to depend upon foreign carriers for our trade, at times it could work out very detrimentally to us; because if, for example, new trade routes were attempted to be established in certain parts of the world and we had to rely on shipping companies which were interested in other industrial operations, they could very easily sabotage any attempted trade development we might seek to carry on at some later date. They would be masters of the situation, if we had to rely upon their carriers. We had a taste of this early in 1955, when a Financial Post headline said:

"Lack of ships cuts Canada's

**Export Trade -- World Shortage Doubles Rates.** Out of Vancouver, up 60 per cent in Halifax since Last Summer -- May continue for Six Months. (Financial Post, February 5, 1955)

A similar situation has developed many times before.

It is particularly important that an adequate government policy on the merchant marine should be established at this time when the development of the St. Lawrence seaway is at last taking place. The opening of the seaway will make a radical change in the whole transportation picture for Canada's overseas trade. Foreign countries are busy preparing to participate in the great opportunities which will be opened up by the seaway and it is important that Canada be in a position to enjoy her full share of the advantages. Already there have been several lines opened. There





is a German line which is going up to Toronto now and on to Chicago. We also understand that in a large number of European yards these special type lakers, up to the 27-foot draft, are presently being constructed, to be in readiness for the seaway trade.

We are also handicapped by the fact that we are the only country in the world that I know of that has no legislation against the picking up and laying down of freight by foreign cargo ships within the same country. We feel that that is naturally something we cannot put up with for too long if we are ever going to develop our Canadian economy as an independent economy, if we even have to depend upon foreign carriers not only for our overseas export trade but also for our coastal shipping.

The maritime provinces are obviously keenly interested in the development of an adequate shipping policy in Canada. In this part of Canada we still look back to the heyday of Canadian shipping, the days of wooden ships and iron men, when Canada had a great fleet of wooden sailing ships. Ever since those days shipping has had a special importance to the maritime provinces. The continuing problem of depressed business in the maritime provinces has been by no means unconnected with the decline of Canadian shipping over the years.

We do not intend at this point to provide a detailed blueprint of the measures which should be included in a satisfactory government policy on shipping. We would merely like to make some points about such a





policy and suggest some of its main outlines.

In the first place, we would emphasize that the cost of such a policy should not be considered as any hindrance. According to the Shipowners' Association:

"Shipping authorities estimate that Canada can support an efficient nucleus merchant navy for one-quarter of one per cent of the present annual expenditure on national defence. The defence budget is about \$2,000,000,000 a year. Another \$5,000,000 would keep a merchant navy in being and under Canadian control."

The association points out that in relation to national production the United States spends a far larger amount:

"With a gross national product of \$364,000,000,000 the United States spends \$400,000,000 on its merchant navy. A comparable expenditure of Canada, with a gross national product of \$24,000,000,000, would be \$26,000,000. In terms of wealth and income we can afford \$26,000,000 if the United States can afford \$400,000,000."

The United States policy includes:

1. Restriction of the United States coastal trade to United States registered ships.
2. Provision that all repairs except emergency repairs abroad and overhauling of United States registered ships must be done in United States yards.



3. Provision that 50 per cent of United States exports must be carried in United States bottoms.
4. Provision of subsidies for all ships engaged in foreign trade.

We do not suggest that Canadian policy should be an exact carbon copy of United States policy on all the points listed above.

In broad outline, however, the United States policy suggests the measures which might be taken in Canada to revive the merchant marine and maintain it on a sound and healthy basis.

Finally on that we think that in order to present Canada as a maritime nation, which she is, and as the fourth trading nation of the world, it would be fitting to our national prestige if at this particular time the government, in considering the development of that nucleus of a merchant marine, would consider the construction of one or two name liners plying the Atlantic in the passenger trade. We understand that the passage of foreign immigrants coming into this country on foreign boats is paid in part by our Canadian government, through contributions to the international refugee fund. We also have the situation that many service personnel married into British and European families on the other side. They are now residing there, and they wish to return, or their relatives wish to come here to visit them.

In this passenger trade there have been bottlenecks and waits of up to six months in the case of people wishing to get from here to the United





Kingdom on passenger liners, and vice versa. We think it would serve a twofold purpose in building several name liners. We think it would help build up the nucleus of a merchant marine, and at the same time would be a profitable undertaking and would be a service to the many people who wish to travel to Canada and other parts of the world.

Finally, we feel that the Canadian Maritime Commission should carry maritime insurance, as is done in other countries of the world. The United States Maritime Commission carries maritime insurance, and we feel that a government agency handling that in Canada would work out to the benefit of a merchant marine.

In closing, we would point out that an east-west transportation policy was an essential part of the foundation on which the dominion of Canada was built. This involved subsidies for canal building, improvement of the St. Lawrence river system and assistance in the building of transcontinental railways. The proposed government assistance to the development of the trans-Canada pipe line is a continuation of the same policy. Adequate measures to develop and protect our shipping should be considered as part of the same over-all policy on transportation.

Just as in the case of the canals, the transcontinental railways and the St. Lawrence seaway, the cost of providing an adequate merchant marine should be considered as part of the essential need for Canada's national development.



Special measures. The maritime problems require two types of action, one designed to assist on a short-term basis, to provide help in relation to the depressed area status, the second of a long-range nature, designed to help assure long-term stability and expansion.

The problem of depressed areas has been found in the United Kingdom, Yarrow, for example -- that is the industrial estates -- and in other countries. Special measures have been tried with varying degrees of success. Certainly we believe that the rapid establishment of new industries and the rehabilitation of existing ones is of major importance. We would suggest a considerable expansion in the operations of the industrial development bank with provision for special conditions, such as lower interest rates, for the maritimes. Extensive housing programmes within reach of low and moderate income groups (unlike the present N.H.A. programme) should be undertaken. A number of major projects, including large scale harbour development for Saint John and other ports, and the construction of the Chignecto canal, were proposed by the Mackenzie committee, and we urge that these proposals be taken up. The locating of a smelter in southern New Brunswick should be undertaken at this time. I understand there is quite a movement in Saint John, New Brunswick, for the location of that smelter in that area.

There are a great many other proposals which could be and should be made. What is required now is the will to carry out the many sound proposals which have been advanced.





We have stated earlier that the economic problems of the maritimes are both essentially similar to those of Canada as a whole and are of a special nature, peculiar to the maritimes and the chronically depressed state of its economy. The corrective measures are therefore to be so designed as to meet both types of problem.

THE CHAIRMAN: Thank you very much, Mr. Bell. You have covered a good many of the points with which we will be struggling for the next -- I was going to say several months, but perhaps I should expand that to a little longer. You have made a number of suggestions here that we will consider very carefully. We are grateful to you. I would like to thank you and Mr. O'Neil for the presentation that has been made to us this afternoon. You have gone to a considerable amount of trouble, and we appreciate it very much. Thank you, all of you.

MR. O'NEIL: Thank you for the opportunity.

--- Recess.

--- After recess.

THE CHAIRMAN: Well, ladies and gentlemen, shall we come to order again. Dr. MacKinnon, I would just like to repeat what I said a moment ago. We apologize for having kept you here until such a late hour, particularly as you were so kind as to come all the way from Antigonish to tell us about this co-operative movement in which your university has taken such an active part. We are all extremely interested in hearing about it.





DR. MCKINNON: Mr. Chairman and members of the commission, I enjoyed being here and listening to all the briefs today. I feel badly because I am appearing before the commission without a written brief. In your letter to me you mentioned an opening statement followed by questions. I have some typewritten notes, of which I have only one copy, so I have made a deal with the reporter to pass over to him what I have here at the end of this session.

I was asked by the chairman to speak on the likely growth of the co-operative movement in the maritime provinces. I should like to point out at the very beginning of this statement that the future of the co-operative movement in Canada, or in any region of Canada, cannot be blueprinted and then imposed upon the people by any individual group or institution. The co-operative movement is based upon the free and voluntary association of people. The co-operative movement, in the words of Father Levesque of Laval University, "is a forceful idea which derives its incentive from a concept of economic life expressed no more in terms of struggle but rather in terms of association".

Progress in the co-operative movement does not come by imposition by government or any other agency. The growth of a co-operative movement comes from within itself, from within a people. This in turn depends upon social intelligence and education. Therefore we cannot blueprint the likely growth of the co-operative movement in the maritimes during the next



twenty-five years and say, this is it.

What we can say is that the people of the maritimes should and will do certain basic things during the next twenty-five years, provided they match the needs of the times with education for action.

This statement, therefore, will not pretend to project the next quarter of a century in the growth of the co-operative movement in the maritimes. Rather it will attempt to forecast what the movement will probably achieve in the light of the past, if the people continue to grow in understanding and knowledge.

The co-operative movement as we know it today began in Rochdale, England, in 1844. Alex Sim describes the beginning of the co-operative movement in the following words:

"Strange indeed was the modest beginning of the co-operative movement, in December, 1844, when the Rochdale Pioneers, a group of Lancashire weavers, opened their unpretentious co-operative store in Toad Lane..... Thus started the first co-operative enterprise. The weavers could not realize at that time that their dream, born of want, hunger and abuses, and enlightened by faith, would be the cornerstone of a system which would give security to so many workers in the world."

Since 1844 and Rochdale the co-operative movement has spread throughout the world. Membership in the International Co-operative Alliance today represents





over 115 million families in the world. In Great Britain the co-operative movement is the largest business outside of government. In the Scandinavian countries the co-operatives act as the "governor" on the whole economy.

The true world co-operative movement is built on the principles first propounded in the classical Rochdale programme. The key points in this programme are known all over the world and have been accepted by true co-operative enterprises. The result has been that true co-operatives are firmly based on the main Rochdale principles of open membership, democratic government, limited interest on capital, and distribution of the annual surplus to members as refunds on patronage. These are the identifying features of the co-operative movement. They are not something strange, alien or foreign. They are simply fundamental identifying features which have stood the test of time and many social and economic changes.

Coal mining centres of this province were the birth place of the co-operative movement in Canada. The first co-operative store in Canada was established in the late nineteenth century at Stellarton, Nova Scotia. The oldest active consumers co-operative, and one of the most successful, in Canada is the British Canadian Co-operative Society, organized in 1906 at Sydney Mines, Nova Scotia.

The idea of a total co-operative society was the philosophy of the Rochdale Pioneers. This



philosophy looked upon the co-operative movement as the cure for all the economic and social ills of the world. It pictured the day when all business, industry and government would be co-operative. This philosophy is dead today, and few leaders hold to it any longer.

To some people the co-operative movement is an economic refuge for underprivileged and depressed people only. To these people the co-operative movement is a last resort, and is the business enterprise of the poor. That is an idea that is acceptable only because it is less destructive of society as we know it than more radical ideas.

This is a very narrow and distorted picture of the co-operative movement. We recognize, however, that the co-operative movement can and does help the poor or submerged sections of society; and it is a fact that in this very day the so-called underdeveloped countries of the world are banking heavily on the co-operative movement as an instrument to help in raising their standards of living.

I might say here that during the past four years we have had at Antigonish nearly 100 men from Pakistan, India, Burma and Indonesia. These men have been sent to Antigonish to study the techniques and methods of our adult education programme, especially in so far as it concerns co-operatives. They have been sponsored by United Nations agencies and by our own Colombo Plan.

The prevalent philosophy is that of the co-operative sector. This philosophy is based on the





idea that there is a certain sector of business that can best be carried out co-operatively. There is a place in the Canadian economy, and especially in the economy of the maritimes, for the co-operative movement. It might be pointed out here that co-operatives flourish where there is a long tradition of self-expression and self-government.

According to this philosophy of the co-operative sector, the co-operative movement can be and is the finest flower of free enterprise. This is the philosophy of the extension department of St. Francis Xavier University; and it is on this philosophy that the future development of the co-operative movement in the maritimes depends.

The co-operative movement came to the maritimes long before the St. Francis Xavier extension department was founded, but the adult education programme of the university did supply a spark and an impetus to the movement in these maritimes. During the past twenty-five years, just shortly after the founding of the extension department, there has been a continuous and rapid growth of co-operatives in the fields of credit, production, consumption and services. This has been the result of an adult programme of education and economic co-operation.

The work of Dr. M.M. Coady with fishermen, farmers and industrial workers will long be remembered. Today, as a direct result of Dr. Coady's efforts, there are some 40 co-operative groups of fishermen in the maritimes. These groups have a





membership of over 3,000. Most of these men are inshore fishermen, that is fishermen who go out early in the morning and come back some time in the afternoon. In other words they fish within three to four miles off shore. A few of these members are fishermen who operate draggers, trawlers and long-liners.

The sale of fish and fish products by these groups in 1954 amounted to more than \$6 million. They supplied themselves, during the same year, with gear to the value of \$1,500,000.

All this is small compared with the value of landed fish in the maritime provinces, but this small volume of co-operative business has saved a few thousand fishermen from bondage. It has given these men self-respect. It has made them realize their dignity as men. It has made first class citizens. They own and control all their own boats and gear, their own processing plant and their own central selling agency, United Maritime Fishermen Limited.

Farmers' co-operative organizations in the maritimes during 1954 did a business of some \$15 million. Maritime Co-operative Services Limited, in Moncton, is the central organization. There are regional units of this organization in various parts of the maritimes, which service people from every walk of life.

One of these is the Capital Co-operative Society at Fredericton, New Brunswick. This organization was established about eleven years ago. It services about 2,000 farmers living within a 50-mile



radius of the city of Fredericton. Only active farmers are eligible for membership. The board of directors of this organization made a very careful survey three years ago. After the survey was completed the board stated that about 400 farmers in the area would have abandoned their farms were it not for Capital Co-operative.

This brings me to another point of philosophy. The Federation of Agriculture in its submission yesterday mentioned the need for larger farms. Our philosophy as an educational institution carrying on an adult education programme for group economic action is that if we can get the farmers to provide for themselves processing and marketing facilities, then they can make a living on smaller farms.

I have been fortunate enough to have had my expenses paid to some underdeveloped countries, and I fear that this trend toward the large farm, the large economic unit as far as farms are concerned, will develop, particularly in this province, if it is allowed to continue, an agricultural proletariat; and I have seen plenty of the agricultural proletariat in the Caribbean, in India, in Pakistan and Ceylon; so we believe in family size farms, and we believe these farms can be operated efficiently if the farmers are organized to the point where they will have control of their own processing and marketing facilities.

This organization at Fredericton is just one of several in the maritime provinces. We have at least two in this province now, one at Scotsburn and one in the Annapolis valley. These are owned by the





farmers themselves.

Farm production in the area serviced by Capital Co-operative has continuously increased since its organization. In 1949 the co-operative processed 25,000 pounds of strawberries. During the 1955 season, just past, it processed 75 tons of strawberries. The 1954 production of butter by this co-operative at Fredericton was double that of the year 1947. In 1954 consumer stores and purchasing organizations in the maritimes did a business of some \$25 million. This, too, is only a small share of the consumer business of the maritimes. It is, however, still quite significant.

We cannot give a picture of the present status of the co-operative movement in the maritimes without giving some figures on credit unions and co-operative housing. At the end of 1954 there were in the maritime provinces 428 credit unions, with a membership of 120,000 people and total savings of \$17,500,000.

The point I wish to make here is that this \$17,500,000 represents savings of ordinary people, savings made in small amounts but regularly.

Co-operative housing in the maritimes is a specialty of Nova Scotia. Nova Scotia has a housing act, and under that housing act the Nova Scotia Housing Commission carries on its work. In the eastern end of the province we have a man on our staff who carries on educational work with respect to co-operative housing; and up until very recently



most of the co-operative housing units were built in eastern Nova Scotia, but lately there has been a move in the city of Halifax, and there are several groups building co-operatively in this city. Not many homes have been built, but I see a great future for co-operative housing in Nova Scotia.

The difficulty until last year was the fact that the government of this province was unable to supply the money needed to build these homes; but an arrangement was made with Central Mortgage so that under the present arrangement Central Mortgage supplies 75 per cent of the funds necessary; and since that arrangement has come into existence there has been a surge of building co-operative homes in the province.

There is only one case in the maritimes where an industry other than agriculture or fisheries is being run co-operatively. It is too early to make a definite pronouncement about the success of this venture, but it should be stated that a textile mill at Milltown, New Brunswick, has been operated on a co-operative basis for over a year.

That mill was to be closed down. It was owned by a firm in Montreal. The union members got in touch with the university at Antigonish and asked for some advice as to running the mill on a co-operative basis. Eventually, about a year and a half ago, 150 of the 700 employees started to run this mill, and the company which owned the mill agreed to sell the products of the mill.

After a year and three months the mill





employs over 400 people. So far things are going well. I cannot say how long they will go well, but these men are buying shares in the mill through deductions from their pay each week, and they are paying these deductions in proportion to the amount of salary they are earning. The union is still active, and the relations with the company in Montreal, the sales agency, are good to date.

In other words there was a mill that was to be closed down a year and a half ago. Through co-operative activity; through working on a co-operative basis, over 400 of the original 700 employees are back at work today. This co-operative project has at least prevented the closing down of a mill, with consequent unemployment.

North of that mill, at Marysville, the textile mills were completely closed down about a year and a half ago.

In short, the co-operative movement has played a part in the economy of the maritimes whenever and wherever the need has arisen. Many services, such as medical plans, hospitalization plans, life insurance, fire insurance and automobile insurance and so on, have not been mentioned in this statement.

The co-operative movement of course has weaknesses. It does not have the strength of a chain. It is a federation of independent units which run on their own.

In order to do a job for the people, however, there must be some measure of centralization. Changes in transportation facilities and other factors





will help to bring about enough centralization to ensure efficiency. This is the trend today in the maritimes. There will be pooled purchasing, pooled selling, centralized accounting and area management within a few years.

To give you an example of what I mean, in our fisheries work in the beginning we were faced with very bad road conditions. Most of these fishing villages were very difficult of access. Transport was by water. So when we organized the fisheries into co-operative groups in any given community, we found that we had to go all the way with them. We had to have them make sacrifices in order to build their processing plants, and each little community along the shore had a processing plant of its own even if the members of that community were farmer-fishermen who fished only for two months of the year, and at that brought in lobsters.

Well, the cost of running these small plants in many cases was exorbitant; but with the change in transportation facilities, with new roads being built and so on, we began to centralize a bit. For instance, Antigonish county has a farmer-fisherman population. These men specialize in the fishing of lobsters, and ten years ago they had five or six lobster processing plants. Today they have not one. The plants became obsolete; and when they became obsolete we advised them to let them go and put on a whole series of educational meetings over a two-year period. Finally we got all the fishermen from these



six groups in Antigonish county to organize the Antigonish County Fishermen's Association, and they have been shipping their lobsters for processing to a co-operative factory in New Brunswick for the last two years, and have been doing very well, because the cost of transporting the lobsters to New Brunswick has been less than one cent a pound.

So they did not have to run any factories; they did not have to run a processing plant. The New Brunswick co-operative factory to which they shipped their lobsters for processing has been very glad to get the business, because the seasons are different. The Antigonish season is from May 1 to June 30, while the season in New Brunswick where that particular co-operative factory is located runs from August 10 to October 10.

There are other weaknesses to be found in the co-operative movement; weaknesses of management, weaknesses of administration. These are problems which must be dealt with by the co-operative movement itself. There is no agency that can help the co-operative movement to deal with weaknesses in management and administration.

The co-operative movement has undoubtedly contributed to the economic stabilization of the maritimes. In the future it can and will play its part in the economy of the maritimes. This economy is a mixed one, with private and co-operative enterprise existing side by side. One thing is sure; the movement is progressing rapidly, undertaking work every day in





new fields of economic activity.

If I make any predictions or forecasts they will be based not on my faith in the co-operative movement only, not on my desire, if I have any, to see the co-operative movement grow in these maritimes; they will be based on population trends; they will be based on such a thing as this, for instance: the children of co-operators. The great success of the co-operative society at Sydney Mines has been based on the fact that the children and the children's children of the original founders of that society in 1906 have remained co-operators. They grew up and married; and when they settled in any part of the industrial area of Cape Breton where this organization had a branch, they became members of it.

I think, for instance, that the credit union movement in the maritime provinces in the next 25 years should grow to the point where in 1980 there would be assets of \$100 million and a membership of close to 500,000 people, with perhaps nearly a thousand credit unions, because there are pockets through the maritimes which have not yet been touched by this adult education programme, and there are pockets which have not yet seen the value of credit unionism.

That is co-operative credit. Everybody needs credit at one time or another, and certainly there are a good many credit agencies in these maritimes which are lending money every day to people at much higher rates of interest than the credit unions of the maritimes are charging. It is a question of educa-



tion, and I feel that the children of credit union members are being indoctrinated today by their parents, and will become credit union members as time goes on.

With respect to agriculture, I have already mentioned the agricultural processing plants. I visualize twelve of these plants covering the maritimes within the next 15 or 20 years. We have three large ones in New Brunswick now, but there are areas not touched by those three, and there is need of at least two to three more of these agricultural processing plants in the province of New Brunswick alone.

In this province right now two groups are studying with the objective in view of setting up organizations of this kind next year. The farmers of Colchester county comprise one group. The farmers of eastern Nova Scotia comprise the other. I think with these agricultural processing plants there will be a hope of keeping family size farms which will be efficient, and which will give a living to those who dwell on them.

Forestry has been mentioned by several people, and I just make this point with respect to that. Already being organized is the Atlantic Forest Products Co-operative. This is a co-operative the membership of which will be made up of woodlot owners, farmers who own woodlots; and they will carry on educational work with respect to woodlot management and they will also try to do the best they can to cut down the cost of distribution or the cost of selling pulpwood, for instance, and pit-props and so on.

As to fisheries, there will be more





centralization of fisheries co-operatives in the maritime provinces, so that instead of 40 groups we will probably end up in 20 or 25 years with 15 to 20 large groups. This trend is already under way, and the results so far have been good because of the cutting down of overhead costs and so on.

What does a co-operative do for a community? What does a fisheries processing plant mean to a community or to the fishermen? Take for instance just one point. In a normal year the production of lobsters in the maritime provinces is 45 million pounds. If through having their own processing plants the fishermen can get for themselves one extra cent per pound from the Boston market or the New York market, then that means a good deal of money in the community generally.

The big thing about the co-operative movement, though, as far as I am concerned, is this. It combines in one institution an efficient, economic formula and a great school for democracy. With this dual programme of education and economic co-operation we feel that the skills and attitudes of men are different. They acquire skills and they change their attitudes. Their attitudes become good, and that is good for the country; because when the attitude is good then you have a good citizen.

By giving its members a hand in the management of their own affairs; by obliging them to work for each other as free and equal partners in a common undertaking, and by developing a community sense of solidarity, which is one of the higher forms of





public-spiritedness, co-operation trains the citizen in the art and practice of democracy, and I think that is important, too.

As a last statement I would say this; that outside of the credit union movement itself, which is a phase of the co-operative movement, I would stick my neck out enough to say this, that unless something catastrophic happens, the co-operative movement in the maritimes will be 50 per cent stronger in the next 20 years than it is today.

THE CHAIRMAN: Thank you very much, Dr. McKinnon. Thank you particularly for doing a little forecasting. That seems to be our function and we need some help with it.

MR. STEWART: I have a little difficulty in following your argument on the family size farm. What is there inconsistent in the notion of the family size farms say double the size of the farms in Nova Scotia today?

DR. McKINNON: Well, it is all right to double the size of the farm. If you have a 200-acre farm and want a 400-acre farm, that is all right; you may be able to keep the thing within bounds, but that is all. But if it becomes a 1,000-acre farm, or 1,200 acres or 1,400 acres, then you have a whole lot of agricultural labourers coming into the picture and you have dispossessed families as far as family farms are concerned.

We disagree with the departments of agriculture on this, and we still argue with them about it.



We say you have a 150-acre or a 200-acre farm in Inverness county or Antigonish county or any county in this province, and the big problem the farmer has had in the maritimes is the disposal of his products. He has been left in isolation. I think Mr. Walsh mentioned in his submission yesterday that the lack of development in the maritimes, and particularly in Nova Scotia, was due to the fact that there were no processing and marketing facilities supplied for the farmers, so the farmer had to deal with a drover and take his chances at his own farm. If he went into the dairy business he might have to drive miles and miles with milk in order to get it delivered to someone. But if he were a member of a co-operative creamery, then the situation would be different. He could have his dairy herd and supply milk to his own co-operative dairy and they would pick it up, and so on.

MR. STEWART: I agree with that entirely, but that does not mean that a man who has five cows could not run a family size farm with ten. This has been happening on the prairies, and it is still a family farm because there is less labour on the farm today than there was.

DR. MCKINNON: That is true. It becomes a matter of mechanization and less labour, and that is all right. A man has his family and he has his farm. He may be able to carry a herd of 20 cows without hiring help. Yet if he has to hire help, the point I am trying to make is that you have three working on this farm as





farm labourers, two working somewhere else, five working somewhere else, and you have a whole group of discontented agricultural labourers.

MR. STEWART: But there is no evidence on the North American continent that the increase in the size of farms has brought about an agricultural proletariat.

DR. McKINNON: I would not be so sure of that in the southern United States and in other parts of the United States. Certainly these big commercial farms in the United States have these wetbacks from Mexico coming in by the hundreds, and they are always a proletariat.

MR. STEWART: They have always had a proletariat in the south.

DR. McKINNON: All right, but these Mexicans come quite far north, and it might be that they would come into Saskatchewan in a few years time to harvest the wheat.

MR. STEWART: Not as long as there is a good tractor around, they will not.

DR. McKINNON: Well, you see, you have advantages in Saskatchewan that we do not have, in the lie of the land and everything. You have flat prairies. In some places down here you cannot do too much with a tractor.

MR. STEWART: I shall not pursue that. I had the pleasure of visiting Tompkinsville, which I think was the first co-operative housing group.

DR. McKINNON: Yes.



MR. STEWART: I was in that area the other day, but I did not have time to go back and see it. What has happened there?

DR. MCKINNON: It is still very flourishing. The people who built homes in the Tompkinsville group will be finished paying off in about five years time, I think. They are still paying the rental, or rather they are still making the payments of principal the same as they were making in 1940, some \$14 a month.

MR. GRAUER: There seems to be quite a lot of combination employment in the maritimes, where they do some farming and some logging, or some farming and some fishing. Is that apparently inefficient, would you say?

DR. MCKINNON: It is not inefficient; it is necessary in eastern Nova Scotia. It is necessary in some of the counties in southern Nova Scotia, not the valley side but the other side, Shelburne and so on.

MR. GRAUER: I noticed that one of the briefs gave as a definition of a sub-par farm one where farming was done part-time. You regard this as necessary?

DR. MCKINNON: Under present circumstances; and I am talking particularly of eastern Nova Scotia. A good many of the people who live on the farms have 100 or 200 acres. They may have 15 or 20 cultivated, and the rest is a beautiful woodlot. If they are not dairy people; if they are fruit or vegetable people, together with the raising of some hogs and a little





poultry, then they have time in the fall and winter to go out and cut; and if he can sell it -- that is the big problem, to sell it -- then he gets a good cash crop of pulpwood or pit timber. They pile it by the side of the road in the spring, and they collect the money for it. But if a man is in the dairy business, or in poultry in a big way, he would not have time to do that, and he does not do it as a rule.

MR. GRAUER: Are any of the co-operatives of sufficient size so they have full-time managers or officers?

DR. MCKINNON: All the co-operative stores, all these farmers' organizations and the fisheries organizations have full-time managers, and about 10 per cent of the credit unions are open during banking hours all week.

MR. GRAUER: Do you notice any tendency toward the development of a sort of managerial class, as they say these days, which does not identify itself with the farmers or the fishermen as the case may be, but tends to accept the philosophy that you can always pass back the loss, though they do not put it that crudely?

DR. MCKINNON: No, I think I can honestly say that in the rural areas of the maritimes the managers are few and far between, although there are a few. Most of the managers are definitely top men who keep right in touch with the farmer and his problems.

MR. GUSHUE: Is there any centralization of combining of your credit union facilities?





DR. McKINNON: We have the Nova Scotia Credit Union League.

MR. GUSHUE: Then one co-operative can borrow from the pool?

DR. McKINNON: That is right. Any surplus the credit union has is deposited with the League.

MR. GUSHUE: They are not just kept for their own local purposes?

DR. McKINNON: No.

MR. GUSHUE: How do the co-operatives usually begin; with study groups?

DR. McKINNON: Yes; first with a mass meeting. We started that way back in 1929, Dr. Coady did, and then during the war we lost a lot of field workers through enlistment, and so on, and at the same time many of our voluntary workers were unable to do anything because of extra shifts working in the mines and the steel plant, and so on, so we went to the radio. We had three programmes, and we still have them.

But we found we were losing out on our educational programme. People would listen, but that was all. We tried to organize them into listening groups and that worked for a while, but eventually we had to go back to the techniques of 1929, 1930 and 1931.

Those Truro farmers started last April with mass meetings. This fall they are starting out with a big study club programme throughout the county of Colchester, with six to ten farmers meeting together.



Now government in Canada recognizes the co-operative movement as a good thing. The provincial governments have inspectors of co-operatives and so on. The government of Saskatchewan goes further and has a department of co-operation.

The one thing a provincial government can do is this, especially where farmers and fishermen are concerned, Suppose these farmers in Colchester county decide that they want to get marketing and processing facilities, and want to build a plant. The big difficulty there is getting the capital. They can supply a certain amount, but it will not be sufficient to build a plant of the size they will require. The provincial government, if its inspector of co-operatives was satisfied that the project was sound and if its minister of agriculture was satisfied that the project was sound, could help those farmers in Colchester county or in any of the other counties of Nova Scotia by guaranteeing a bank loan to permit them to build their plant.

That is what the government of New Brunswick did in the case of the Fredericton co-operative. They guaranteed the loan that was used to build their plant in 1947.

MR. LUSSIER: You said in speaking of the textile mill which is operated on a co-operative basis that the men are permitted to buy shares in proportion to their wages?

DR. MCKINNON: No. A man can buy as many shares as he wants, up to a certain limit, and the same limit applies to everyone. What I meant was





that he pays for those shares weekly in proportion to the amount he earns. For instance, I think the superintendent pays 5 per cent of his salary weekly, and it goes down to where the lowest paid are paying 2 per cent of their salary weekly.

MR. LUSSIER: Are they allowed to sell those shares?

DR. MCKINNON: No, they cannot sell those shares. If they want to withdraw, the co-operative pays them off; but there is no chance of speculation in the shares.

MR. LUSSIER: You mentioned weaknesses in the administration. For instance, you said that they do not operate as a chain, and the management shows some weakness and also the administration. Could you give us some explanation about that?

DR. MCKINNON: Each unit is independent, with its own board of directors, who are to settle policy. All right; you are dealing with the human factor all the time, too. Say you have a manager away down in a certain section of the country. He is managing a rural co-operative, a consumer organization and also a producer organization in the sense that he acts as the agent to ship livestock, hogs, poultry, eggs and so on to the central co-operative in Moncton, say.

He might, through neglect, lose some money for the organization. He might, for instance, have some goods come in that are perishable and may not give any attention to those goods and then they are lost; they rot. The human factor comes into the



picture.

But there are certain regulations laid down by the inspector of co-operatives, and so on, and they must be followed if the business is to be operated properly, and as long as they are followed things will be all right.

But then it comes to the end of the six months period, or the end of the year, and the manager has to see that an inventory is taken. A certain procedure must be followed in that, according to the regulations of the inspector of co-operatives; but the manager may say to his directors, "Well, there is no need for any of you fellows going over the inventory. I will take it myself." Then he pads his inventory and maybe it is two years before the auditor catches him. There is a little administration that is bad.

Some of that has been overcome in some sections, because the regional organization in Antigonish, for instance, does the bookkeeping for twelve stores, and it does the checking up. Although they are independent units, they pay for that service which is given them by the wholesale, and that makes the administration there a little better as far as costs and everything go.

MR. CHAIRMAN: Well, thank you again very much, Dr. McKinnon. It has been very, very kind of you to come.

We shall adjourn now until 10:00 o'clock on Monday, October 24, in Charlottetown.

--- At 5:45 p.m. the commission adjourned.



ROYAL COMMISSION  
ON  
CANADA'S ECONOMIC PROSPECTS

HEARINGS *v. 3*

HELD AT

CHARLOTTETOWN, P.E.I.    October 24-25, 1955





Charlottetown, Prince Edward Island

The sitting of the commission in Charlottetown was opened in the Supreme Court Chamber, Court House, at 10:00 a.m., Monday, October 24, 1955.

**PRESENT:** Mr. W.L. Gordon, Chairman;  
Mr. Omer Lussier;  
Mr. Andrew Stewart;  
Mr. Raymond Gushue;  
Mr. A.E. Grauer

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**APPEARANCES:** Hon. A.W. Matheson,  
Premier of the province of  
Prince Edward Island;  
  
Lieut.-Col. J. David Stewart,  
Mayor of the city of Charlottetown;  
  
Mr. J.L. Dewar, Secretary,  
Prince Edward Island Federation of  
Agriculture;  
  
Lieut.-Col. L.F. Macdonald;  
Miss Estelle Bonus;  
Prince Edward Island Teachers' Federation.

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**THE CHAIRMAN:** Well, ladies and gentlemen, I think we might come to order. Before we go further I would like to say how very pleased we all are to be in Prince Edward Island. We drove over from Borden to Charlottetown yesterday; and I do not know whether it was the premier or someone else who arranged this wonderful weather for us, but certainly the way the



country looks at the moment it does not appear to us that you have any troubles or any problems on the island.

If you do not agree with that you will be able to tell us as we proceed. We are delighted to be here. We have been having a most interesting time since we started our sessions in the Atlantic provinces, and we are looking forward to hearing from you today and meeting some of you later on.

Is it your pleasure, Mr. Premier, to begin the proceedings?

MR. MATHESON: Mr. Chairman, of course I cannot help in the first instance making reference to your remarks as far as Prince Edward Island is concerned. I was thinking this morning when I saw the sun rise -- and I did see it rise -- that this is rather typical Prince Edward Island weather. We are very happy because of that fact, although in the last few days we have had weather that was possibly not quite as conducive to happiness as today's weather really is.

I am very happy to learn that you motored to Prince Edward Island yesterday. Possibly there was very little choice in the matter; you may have had to motor to Prince Edward Island on Sunday, but in motor-ing you had a chance to see our farm lands, and no doubt later on in the day the Federation of Agriculture will present to you their problems as far as the farming situation in the province is concerned.

We have a very short brief as far as the





province is concerned. After I have presented this brief there may be questions which members of the commission might like to ask. I do not profess to be able to answer any questions you might ask, and I am sure even my friend to my right will not be able to answer them all, either; but we would be very happy to adjourn until later, possibly until after the other briefs have been heard, to answer any questions members of the commission might ask which would be within the scope of our knowledge.

The government of Prince Edward Island extends a cordial welcome to this royal commission on Canada's economic prospects and hopes that its investigations will be a valuable contribution toward the understanding of the economic affairs of this great country. We also appreciate this opportunity of describing the situation of this province within the nation and stating our views with respect to its problems. Canada is a federal state and one of the prime necessities of federalism is national consideration of the contributions and needs of all partners in the union. We are proud of our position as a province of Canada, and we declare that size, wealth and economic potential are not the only factors of national welfare and prestige. Like Tasmania in Australia and Rhode Island in the United States, we maintain that special consideration must never be neglected for the small partners, their position in the state, and the abilities and needs of their people.

The factors of production. The economy of



Prince Edward Island is based largely on agriculture and its related activities and on fishing. There are no manufacturing industries of any size and no concentration of economic activity in any one area. The island is not on the great trade routes of the nation and every enterprise is affected by separation from the mainland. The population is small -- about 100,000 -- yet it is the most densely settled province in Canada. It has had a long history, yet its economy is comparatively static. The dominant characteristics, therefore, are economic specialization, dependence on transportation and limited opportunity.

Economic progress does not permit docile acceptance of basic limitations, and if this province is to play its proper part in the nation as well as provide the good life for its own people, we must seek ways and means of compensating for geography. Canada as a whole must do this; the island is not unique in this respect. There are many things we can do for ourselves, but there are also many ways in which the nation in its national policies can contribute toward the solution of the problems of this region. A fourth characteristic, therefore, is the extent to which this province participates in economic activities which are carried on on behalf of, or for the benefit of, the nation as a whole.

The dependence of Prince Edward Island on agricultural and fisheries production, processing and marketing is well known. While there is a **substantial**





amount of self-sufficiency, there is, nevertheless, a marked interdependence among the primary industries and all other enterprises and an important reliance on a few specialized export commodities which are highly vulnerable to national policies, general economic conditions and other external forces.

With respect to production, there are no unusual or unnatural problems. The natural conditions are suitable and the quality of the products is high. The processing and marketing functions, however, leave much to be desired, for here the island suffers from its most important difficulty, transportation. Any discussion of the provincial economy must consider first that every activity is affected by the presence of Northumberland strait.

Transportation difficulties were recognized when the island entered confederation and provision was made in the terms of union for "continuous and efficient" year-round steamship service between the island and the mainland to be maintained by the dominion.

Standards of continuity and efficiency change, and dominion-island relations through the years have had to include negotiations and adjustments necessary to maintain our lifeline with the mainland. In this age when people and commodities must move efficiently and quickly the island's transportation facilities require constant improvement to keep up with the need.

A second term of confederation concerning





transportation was the assuming by the dominion of responsibility for the Prince Edward Island railroad. This road, which became part of the Canadian National system, was relied upon down through the years to transport products in a province where natural conditions make winter and spring traffic by road almost impossible. Present problems of railway economics and the Canadian National policy of curtailing rail facilities here throw increasing burdens upon other means of transport and result especially in substantial pressure on our highway programme. Consequently, if the spirit of this term of confederation is to be followed, all the more attention must be given to transportation generally.

It should be pointed out that efficiency of transportation concerns not merely the provision of physical facilities but also the movement of commodities at reasonable rates. Means of transportation which are too expensive for the traffic to bear are not efficient.

Transportation facilities and costs, then, are the dominant consideration in the processing and marketing of the island's products. Moreover they are the chief obstacle to further improvement and expansion of our industries. For example, we think it illogical to grow high-quality products, ship them elsewhere, and then buy them back in processed form at a high price. We wish to encourage processing industries here and thereby employ our own people and enjoy our own finished products at a lower price and find a sale for them in mainland markets. We feel we can do this and thereby expand enormously our economic potential, but we cannot



do it with any degree of efficiency unless transportation facilities are improved and transportation costs are lowered.

Another example is the tourist industry. Again natural conditions are ideal and the returns are substantial, upwards of \$5 million last year. But again the facilities are not adequate, for no one wishes to spend many hours of holidays waiting in line to get on the ferries coming to and leaving the island, or to arrive in the middle of the night because train connections on the mainland are irregular. Highway facilities, too, must be adequate, for no tourists will remain or return if the roads are bad. Again, other industries benefit from the tourist trade. For example, we have 208 resorts and in one of them alone \$5,000 in wages and \$11,000 in purchases of agricultural products and fish were paid out in two months. Every improvement in transportation will bring more visitors and increase the benefits to the people as a whole.

If we have the transportation facilities, we can provide the labour for the processing industries we desire. Farms are now mechanized and hundreds of our young people move away each year to seek employment in industrial centres. They have been brought up in this province and educated at public expense. There is land for them on our vacant farms, if we can increase the demand for the products of these farms through local processing plants, as well as provide jobs for them in the proposed plants. They want opportunity and we want to give it to them.





There is capital, too, for we have learned of several business interests who would invest in island industry if local connections with markets were improved. Moreover, the provincial government would explore all opportunities, not only of encouraging industries to come, but also of assisting them to get started.

No factors of production are effective, of course, without markets. The demand for the kind of products which we can export is high and the quality of these products is such that we can easily satisfy the demand on that score. Our potatoes, lobsters and oysters, for example, are famous, and we can assure equal quality in other commodities. Moreover, we can meet the attractions of many of the food products which other provinces now import from the United States. But we must be able to get our products to the markets quickly and at a reasonable cost. Only geography holds us up and we must overcome its hindrances by improved transportation.

Provincial services. Because of geography and early colonial policy Prince Edward Island has had, since 1767, the status of a province and the resulting responsibility for the administration of its affairs and the provision of local services. This responsibility has never been easy to bear because of isolation, size and population. Yet no practical alternative has ever been devised and we must do the best we can with what we have.

Administration is carried on under the



authority of one of the oldest legislatures in the British commonwealth through a cabinet of nine members. There is one city and there are seven towns and a few villages administered by municipal councils suited to their size and functions. There are no county or township administrations. Because of the size of the province, members of the legislature are peculiarly close to the people; again because of size the municipalities are limited in what they can do. Consequently the line between provincial and local government is obscure and the provincial government finds itself carrying on not only its own functions but also many which elsewhere would be handled by municipalities.

For example, the province maintains hospitals for the mental diseases and for tuberculosis, health clinics, research laboratories and a town planning office which tend to meet all needs at both levels because they can readily serve the entire province. Yet the provincial government cannot divert too large a portion of its revenue to municipal purposes because the urban population comprises less than a quarter of the total and it depends so much on the welfare of the rural economy. To maintain this balance is a difficult task.

This system of administration must perform the same functions and provide the same services as the systems in the other provinces, albeit on a smaller scale. Consequently there is more governmental activity, although less governmental expense, in relation to population, because a minimum of service must be provided.





Comparing our public works, health, education and other facilities with those in other provinces reminds one of the principle that while one farmer has a tractor for 400 acres of land his neighbour can't use half a tractor for 200 acres.

Finance. The dominant factor in taxation on Prince Edward Island is the natural financial limitation of an agricultural community. As the Rowell-Sirois commission pointed out, the province "does not form a satisfactory unit from the point of view of public finance, and particularly for raising revenue. The subsistence nature of the economy, the low average net value of agricultural production and the lack of urbanization are reflected in a total real property tax yield which is only one-fifth the Canadian per capita average. The province's lack of any public domain is responsible, of course, for the absence of revenue from that source.....The absence of any notable concentration of corporate or personal income and wealth in the island makes it impossible to secure a substantial yield from income taxes and succession duties."

The result of this situation is an inability to pay for needed services and to pay adequate salaries to governmental personnel, teachers and others who are now remunerated at rates much below the national average. The present situation is bad enough but there is no indication that additional resources will appear to bring in the revenue with which to meet rising costs. Other provinces have new resources and possibilities,





such as mining areas, power developments, oil fields, and of course the St. Lawrence seaway. We would welcome something like the discovery of oil or uranium under our soil, but it appears that we will have to be content with improving existing enterprises with what extra revenue we can secure from presently available sources. We are not interested either in taking on activities for which we are not suited or in merely keeping up with the provincial Jones's.

Even accepting financial assistance from the dominion or sharing in dominion-provincial financial arrangements involves difficulties peculiar to Prince Edward Island. Per capita calculations, for example, always mean that the basic minimal needs for services cannot be provided. And accepting matching grants means accepting responsibilities which are harder for us to meet than for others and risking the certainty of having to give up the services concerned if dominion policy were changed.

Participation in national enterprise. The economy of Prince Edward Island has from earliest times been directly affected by general policy determined outside the province for enterprises not affecting the province, or affecting it adversely. For instance, when it was established as a colony its land was divided among political favourites in London to suit imperial policy. As a result the absentee landlord system kept back the economic development of the island for a hundred years. And at confederation the island's provincial trade was changed from its colonial



channels into a Canadian tariff economy despite the fact that it thrived better under free trade. The result of these and other similar problems was the familiar compensations which were made from time to time down through the years, and which have been dealt with in detail in various studies on the island and in briefs before other royal commissions and dominion-provincial conferences.

What we are most concerned with today is emphasizing before this commission not the "injustices" and "disadvantages" of confederation, but rather the possibility of this province participating more equitably in the results of federal enterprises designed for the national benefit.

We mentioned above the possibilities of increasing our economic capacities by improving transportation facilities. We feel that this is not only an obligation assumed by the federal government at confederation, but also a national enterprise which, as the late Hon. Norman Rogers used to say, "strengthens the federation by sharing its advantages with all partners". To go even further, it is not only a sharing of national advantages, it is a good business investment, for the activities which will result will amply justify the expenditure and they will benefit not only this province but also the nation as a whole.

There are other possibilities, too. For instance, while the national government is heavily committed to the St. Lawrence seaway which will bring innumerable advantages to the central provinces by way of





increased shipping and power facilities, could it not at the same time adopt, both as a regional benefit and national policy, the comparatively tiny project of improving shipping and power facilities here? We wish to open up trade routes by steamship from island ports, especially if our projected processing industries develop. As it stands the dominion provides about \$4 million in steamship subventions for coastal services and of this amount the island gets nothing for its purely coastal trade. As for power, the island has no hydro facilities; it must burn oil to get electricity; and its kilowatt hour cost is very high. If industry increases as we would hope, we will need power and we think that a national interest in developing local power in the maritimes and transporting some of it to Prince Edward Island could be based, albeit in a very small way, on the same principles that apply with respect to power policy elsewhere. Again the returns, although comparatively tiny, would bring enormous benefits to this area and proportionate advantages to the nation as a whole.

The point we wish to establish is that economic prospects resulting from such important national enterprises as defence, federal participation in the seaway, tariff policies, and the opening up of the north, bring enormous benefits to several provinces but have very little effect on the future prospects of Prince Edward Island. We are interested, therefore, in the possibilities of more national enterprises of a regional nature which would strengthen the nation by



strengthening the region. We are prepared to show that the nation as a whole gets from Prince Edward Island and existing local economic activities almost exactly dollar for dollar what it puts into the province, and that further enterprise will be more than justified by the probable results. We do not wish to be identified as a "have not" or "cannot" province. Our policy with respect to economic prospects is to ask "why not...?" and "may not...?"

THE CHAIRMAN: Thank you very much, Mr. Matheson. I was wondering whether you would like us to put a few questions to you now?

MR. MATHESON: Yes, surely. I shall be very happy to try to answer them.

THE CHAIRMAN: I am sure you can answer them. Throughout the brief you placed considerable emphasis on transportation, and on page 2 you refer to the Canadian National policy of curtailing rail facilities. I think all of us would be interested in some amplification of your ideas about the need for more transportation facilities, both rail and shipping if that comes into it; and I think we would also like to hear your views as to whether the development of air freight, which I suppose is bound to come in Canada over the years, will be of benefit to the island in the kind of products which you produce here. Presumably it would not be useful as far as the heavier products are concerned, but you mentioned lobsters, and I do not see why you could not ship lobsters by air freight.

MR. MATHESON: I believe there are some





shipped by air freight, but I think that is the point on the cost of transportation. We have here in Prince Edward Island Maritime Central Airways, which I think is the third largest in Canada at the present time. It is doing an excellent job; but the over-all cost to the consumer and the producer, in connection with lobsters it would be the fishermen, and to the consumers in the market, make it hard to sell at a reasonable price, and we find difficulty there.

As far as the railways are concerned, recently there was an application to have passenger trains removed from the province, and there has been an order to the effect that all passenger trains east of Charlottetown are to be withdrawn during certain periods of the year; the summer months, let us say, though I do not think the dates are fixed yet. In the western portion the trains remain. The application was to have all trains removed except the one running from Borden to Charlottetown, the passenger train that is giving direct communication with the mainland.

We do not know what will be the effect of that general withdrawal. I can see the point of the Canadian National Railways, that there were very few passengers using the particular lines, and I would be the first to say we should not insist on anything like that. But the certainty of freight transport is rather different. If the freight will not travel on the rails it must travel on the roads, and our problem in that regard is rather difficult





in certain seasons of the year. What will make a good agricultural producing area will not make a good road-building area. We have a problem in connection with soil. We find that transportation in certain months of the year, during the freezing and thawing season, is quite difficult; and in the last two years it has been particularly noticeable. There have been varying changes.

What the future has in store there, I would imagine, will be a considerable curtailment of rail facilities, but whether that will mean curtailment of freight is just a question as yet. If trains run whenever they are needed, or two or three days a week, or whatever the final decision may be, it might meet the situation. Remember, I think this started in September, so it is something comparatively new here. It is a testing period.

If the railway will not carry freight our roads will be carrying heavy trucks and we certainly have had changes in the last ten years in the heavy trucks. Our fish products, our agricultural products, are going more and more by trucks, which are using our roads, the construction of which is a very costly matter. It may be argued that they are not as costly as roads in northern Ontario or the Rockies; but when you build a road there it is a road, and it stays. When you build one here it tends to break up over the years.

MR. GRAUER: They tell us a different story. They always stress the frost up there, which



they say breaks up the roads in the spring.

MR. MATHESON: Well, possibly that is right; I am not familiar with that. I know the frost breaks up our roads. We must limit the weight of our trucks to 6,000 pounds, and you cannot get anywhere with a 6,000-pound load today; that is on a paved road, at any rate. I can see where the paved road would break up, but the ordinary gravel road will not break up too much with frost. We do not have those; we have no gravel. Possibly we are better off without them. On your trip yesterday you came across by ferry. We have had excellent boats. The Abegweit is possibly one of the finest, but the other boat which is in use, the Prince Edward Island, is 40 years old, and although it is still an excellent boat it is not set up for modern transportation needs. I personally saw a person, whose sex I shall not name, or anything like that, attempt to back a big Buick car into one of the spaces last year. It was raining. I was talking with the captain of the day, and the driver would not permit one of the men to back the automobile into place but insisted on doing it, and it took a long, long time. Automobiles are so much wider than they were when the provision was made in the first place.

The larger boat is crowded even now. It is less than ten years old; I think it came into operation shortly after the war. If the increased traffic continues, as it looks as though it might, we will need another boat of the same carrying capacity as the





Abegweit.

As to the figures on this traffic, in September, 1955, there was about a 12 per cent increase -- I can get the exact figures -- from Borden to Tormentine, and from Tormentine to Borden there was a 10 per cent increase. For the whole year there was about a 10 per cent increase as well. There has been a steady increase in traffic each year, and even with two boats moving now, and moving rather rapidly, there are as many as 100 to 125 cars held up, waiting. They are not held up for very long, but still there is the delay. I know of people who have intended to come to Prince Edward Island and who have looked at the line-up and turned around and gone back. Those, of course, were tourists.

That may not answer your question, Mr. Chairman --

THE CHAIRMAN: Just on that point, are most of your tourists from the United States?

MR. MATHESON: Oh, no. We have Canadians too.

THE CHAIRMAN: But would a large percentage be American?

MR. MATHESON: I hesitate to answer that question.

THE CHAIRMAN: I was wondering whether the adequacy of the roads in New Brunswick, for instance, would put some people off, quite apart from the ferry?

MR. MATHESON: Well, I would hesitate to make any reference to my sister province of New Brunswick.



THE CHAIRMAN: Well, we will ask that later in the week.

MR. MATHESON: Mr. Rogers tells me that approximately 21 per cent of our tourists who come to Prince Edward Island are from the United States.

THE CHAIRMAN: Is that all?

MR. ROGERS: Yes. That is based on the number coming by road.

MR. GRAUER: Before the Chairman leaves this subject I want to be sure that I have your position correctly. Do I take it that you are not protesting particularly at the reduction of rail facilities, provided that road transport, or at least ferry facilities and air facilities are improved?

MR. MATHESON: Well, here is the problem. We did protest before the Board of Transport Commissioners, but we must be reasonable as well. If a train with a full crew must travel 50 miles for one or two passengers it is unreasonable. I think that is quite true. The problem would arise in the winter, when our road transport is such that people will travel by train. We must retain them to a certain extent, but not in all seasons of the year. Personally I do not think we should be running trains where not more than a few people are affected by them.

What the future has in store in that connection is the question. In 1873 we entered confederation with the idea that we needed a railway, and we did need it very badly. Well, now it is not so many years later when we find that the railway is hardly being





used at all. As a matter of fact, 25 years ago the railway was not used to a great extent here.

What the future holds it is difficult to say, but I would think there would be less use of the railways for passenger traffic. It may not altogether be that the passengers are not prepared to travel by rail, because it takes so long to go that 50 miles, at times two hours or more. With the other means of transportation available today, people are not prepared to wait at stations for any length of time.

That may not answer your question perfectly, but arising from the railway curtailment we have incurred certain road problems which I feel sure are going to increase considerably over the years.

MR. GRAUER: And you are hoping for some assistance in that direction?

MR. MATHESON: Well, there should be some compensation in that respect. There are rails needed in other parts of Canada, the northern parts of this country where they are putting in railroads at the present time. They may not be so essential in Prince Edward Island, where other types of transportation can be used equally well.

MR. STEWART: On page 4 you refer to the land in vacant farms. Has there been much abandonment of land?

MR. MATHESON: In certain communities, yes. The situation has changed considerably there in about a 25-year period. Where there were 50 or 75 or 100-acre farms, those have become 200, 300 and up to 500-





acre farms. Possibly there are not so many vacant farms as a general lessening of the number of farms. The secretary of the Federation of Agriculture is here. He will be speaking to you later today, and he may be able to answer that question with considerably more accuracy than I can.

I know in some parts of the province there have been many changes. I read a report made over 100 years ago, when the land was being purchased from the proprietors; the Selkirk report is the one to which I refer. Lord Selkirk owned 150,000 acres. They made a general survey of that land, some of which had been settled at the time, and the report of the engineers then was that this land should never be cleared.

Some of the land was cleared, and it has not proved to be the best agricultural land. It should be left, and the people who have settled on those lands should be gradually moved away into other areas.

There are a few instances like that, but in other parts of the province there has not been any radical change.

MR. STEWART: Do you feel that there is any potential for expansion?

MR. MATHESON: Yes. Certain farms, I would say, which have been ~~vacated~~ because they would not produce grain or potatoes, could be used for other purposes.

MR. GUSHUE: On page 8 of the brief you mention the change from colonial trade into a Canadian tariff economy. That has ~~existed~~ for nearly a century.



How would you treat that? Have you any suggestions in that connection, or is it now an accepted position?

MR. MATHESON: Well, our potato situation is a very good example of that. There is a tariff on Canadian potatoes going into the United States, while United States potatoes are admitted into Canada free. Today, when there is so much truck transportation and our markets could very well be Toronto and Montreal, the Maine people, who grow far more than we do, are free to ship in there. The only way we can ship against that competition is by producing a better product.

There has been a submission to the tariff board on that point; as a matter of fact I think I can get copies of that brief for you. It might be rather interesting.

MR. GUSHUE: Yes, I think it would.

MR. STEWART: What small industries or processing businesses do you have? After all, high transportation costs do provide a measure of protection for small industries meeting local needs.

MR. MATHESON: Well, of course our local needs would be more than that. There is the processing of berries, fruits, vegetables, potatoes, fish and so on. We have a few industries of that type at the present time which are doing an excellent job, but it is a matter of expanding them.

A few years ago a company came in here to set up a processing plant for ~~cucumbers~~, pickles and so on. All that had to be done here was grow the product. In their first year they set aside a certain acreage to





provide the crop, but they found that the growth in Prince Edward Island was so much more than they had expected that they dumped a great deal which they could not use at all. They also made contracts to buy the produce of other farmers.

We have the same situation in connection with other commodities. Our fruit may not amount to as much as that grown in some other parts of the country or in the United States, but I think its flavour and texture cannot be equalled anywhere. So, as I say, the size of the crop is not always against you.

MR. STEWART: Have any special inducements been offered?

MR. MATHESON: Oh, yes. We have an industrial development policy at the present time that will provide for capital advances for the building of plants.

MR. STEWART: That is on a loan basis?

MR. MATHESON: Yes, on a loan basis. The act provides for grants as well, but there have been no grants given as yet. It is a difficult thing to give grants in a case like that, though the act does provide for such grants.

MR. GRAUER: On the page which is not marked, but which is just before page 2, this is stated in the brief:

"There are many things we can do for ourselves, but there are also many ways in which the nation in its national policies can contribute toward the solution of the problems of this region."



Reading that in conjunction with the specific suggestions on pages 8 and 9, am I right in interpreting that to mean that you are not asking for special measures solely for Prince Edward Island, but for an adaptation of national policies so the national policy will fit the requirements of this province?

MR. MATHESON: That is right; and what is generally good for Prince Edward Island is generally good for the maritimes as a whole.

MR. GRAUER: On page 9 you state that there are other possibilities, but of those the two which are mentioned are coastal shipping, which I take it you hope will assist the processing industries, and electric power.

Concerning the first, it has been stated that \$4 million in steamship subventions have been provided for coastal services by the federal government, but that of that amount the island got nothing for its purely coastal trade.

Could you elaborate that a little more? Did other provinces get something for their purely coastal trade?

MR. MATHESON: I understand that in other provinces subventions were given to steamship companies to carry goods from place to place within the province. You might say we have had something similar to that in the moneys given to the Northumberland Ferry Company for transportation on the Wood Island-Caribou route. But this statement has to do with purely coastal trade, and I understand that money is available.





Unfortunately I am not in a position personally to give the details of that, but I can make it available to you later today.

There has been an effort made from time to time to get subventions for shipping to other parts of Canada by water rather than by rail. The Borden-Tormentine route, going back to it again, is run entirely by the Canadian National Railways. It is completely managed by the Canadian National Railways, and schedules are changed from time to time on that route without any consultation with any person in the province whatsoever. There is a long delay at the present time from one boat until a boat in the late afternoon. Nobody here was consulted before that change was made. Such changes are made to meet conditions outside the province.

MR. GRAUER: Do you have much of a requirement for purely coastal shipping in the province?

MR. MATHESON: Yes, we have. We did do considerable business with the province of Newfoundland before confederation, and an attempt was made after that to have a boat subsidized by the province itself. That was not very successful.

Private enterprise is doing considerable in that regard, but there are no regular ports of call, and this is a matter of communication between certain people in the province of Newfoundland and certain people in the province of Prince Edward Island. There are also areas such as the Seven Islands area in Quebec where there are opportunities.

MR. GRAUER: That is as between the provinces,





but purely within the province?

MR. MATHESON: No, not within the province of Prince Edward Island. There would be no need of that to any degree.

MR. GRAUER: And what about down the coast to the United States?

MR. MATHESON: Today there is some business, but not a great deal. At the time of confederation there was a great deal of traffic back and forth there, but at the present time it does not exist. There should be an opportunity for it there, but our tariff problems again are such that it is made rather difficult.

MR. GRAUER: Do you look upon coastal shipping as a probable help to the processing industries which you advocate? Has there been any study made of the supplementary possibilities among the Atlantic provinces; that is, would some of the other provinces resent the subventions -- ?

MR. MATHESON: Oh, yes; that is always a problem, definitely. But we in Prince Edward Island have purely an agricultural economy, and any degree of jealousy that may have existed over a period of years is gradually being cured, I think.

That is why I suggest here that we should be able in the Canadian economy to do something in Prince Edward Island that cannot be done in one of the other provinces as economically or as efficiently. I think we have had that opportunity here. There has been too much in the past, I believe, a feeling, "Well, a province is an entity in itself, and you will protect



the people in that particular area by whatever means you can. If you must sell eggs in Prince Edward Island at 50 cents a dozen and sell them somewhere else at \$1 that is fine; you are protecting the farmer to that extent."

That does not help the Canadian economy as a whole. We have an opportunity here, I think, to help the general Canadian economy without prejudicing anybody in any particular area. We have the soil; we have the people who can do the work, and it is just a matter of being able to get our products to the market.

MR. GRAUER: By the way, when you say Prince Edward Island is a purely agricultural province, I take it that mineral possibilities and forest possibilities have been explored?

MR. MATHESON: They are still being explored.

MR. GRAUER: There are some possibilities, then?

MR. MATHESON: We sincerely hope so. We have been working on that for the last two years.

MR. GRAUER: On the second proposal, which has to do with cheaper electric power, we had an interesting submission in Halifax which incorporated a table showing the amount of power which various industries used. That brought out what is well known within the power industry itself, that there are relatively few industries which use enough power to make that a significant factor in their cost of production. For instance, aluminum and pulp and paper use a lot of power.





In connection with any industries which you are hoping to get, has there been any study as to the exact types of industry? Are there any large power users?

MR. MATHESON: Well, again I am afraid I am not qualified to answer that question. There has been a general study by our commission in that connection, but I would prefer to try to answer that later this afternoon, if I may. If larger plants do not appreciably change the power situation in that province, I am sure the same thing would hold true in Prince Edward Island, and perhaps to an even greater extent. Freezing, of course, will take considerable power.

MR. GRAUER: I am afraid I do not know, and I should, just how the power business is organized in Prince Edward Island. Are there various companies?

MR. MATHESON: There are three companies at the present time; the Maritime Electric Company, the town of Summerside, and another electric company.

MR. GRAUER: I wonder if it would be in order to have the tariffs of these companies filed? It would be interesting to see what they are.

MR. MATHESON: I think we might be able to get that information this afternoon. I shall attempt to get it today.

MR. GUSHUE: Do any of the ferries from the island to the mainland carry railway cars?

MR. MATHESON: Yes; the Borden-Tormentine does; both the Abegweit and the Prince Edward Island; and they are planked now as well for larger trucks.



THE CHAIRMAN: Thank you very much, Mr. Premier, and also for your offer. If any further questions occur to us we shall come back to you later.

MR. MATHESON: Others who are here today, if I may speak for a moment, are the Federation of Agriculture, the Teachers' Federation, and the city of Charlottetown. I believe those are the others who are appearing. Before you adjourn at noon perhaps you would set a time for any further questions you would like to ask as far as the province is concerned.

THE CHAIRMAN: Perhaps we could come around to your office.

MR. MATHESON: Yes, or I shall be prepared to come back at any time.

THE CHAIRMAN: Then we will call upon you if we may. By the way, this brief should be numbered Exhibit 14.

Now we have Colonel Stewart, the mayor of Charlottetown, and we will number his submission as Exhibit 15.



MAYOR STEWART: May I first of all extend a welcome to the commission on behalf of our city council and citizens, and a rather personal welcome to a brother member of the famous Stewart clan from the province of Alberta.

Following the premier's comments on our weather, I might say that weather other than we are having this morning in Charlottetown is most unusual. I would like to extend a welcome to all of you to come back next year with your families and enjoy the full measure of our climate here. Possibly in that way we can bring about a more marked effect on the economy of the province than we may in our submissions here today.

Gentlemen, the city of Charlottetown welcomes this opportunity of appearing before a commission appointed to deal with Canada's economic prospects, for it is appropriate to recall that the first general discussions ever held on this subject took place in this city 91 years ago. Many of the prospects indicated at the first confederation conference have materialized in full measure in the growth of this great country. Much remains to be done to carry Canada through the uncertainties of the atomic age. Although we are not a large city, we wish to do our part as well as our resources and potentialities permit.

I am always somewhat reluctant to don the mantle of a prophet, gaze in the crystal ball, and attempt to foretell the future, particularly if I have





to do it out loud and publicly. Politicians are so often taxed with doing this too readily and wrongly, too frequently. But there are certain things that seem very likely to happen without it being necessary to resort to the crystal ball in order to foretell this occurrence.

Charlottetown, as the capital of a predominantly rural province, depends largely on the fortunes of the farming and fishing industry and the processing activities connected with them. There are no manufacturing concerns and no special enterprises from which revenue may be derived and with which many citizens may be employed. Although it is a seaport, it is not a shipping point for an active hinterland. It is not situated where it can benefit from traffic to and from other places. It is, therefore, not self-sufficient; it depends on the economic conditions of the area around.

The population is 16,000, comprising about equal numbers of industrial, white collar and unclassified persons. About one-fifth are under 10 years of age; about one-tenth over 60. From 15 to 20 per cent are what might be called rural population -- retired farmers or young men coming to the city to find employment.

The amount of accommodation and the space available for construction are strictly limited for there are no open areas within the city limits. Consequently, the possibility of growth of population is small; an addition of 3,000 would



certainly be the maximum. The dominant physical fact of the city is that it is surrounded by water on three sides.

To the north of Charlottetown -- that is the fourth side -- are several incorporated suburban areas with a total population about 5,000, in which there is room for considerable expansion. Suggestions have been made with respect to bringing these communities within the city, but to no avail because they lack adequate municipal services, their land values are not sufficient to provide the funds for the necessary capital outlay, and the city could not afford to accept the many responsibilities involved in a union.

The sources of revenue are strictly limited and we believe we have reached the saturation point in taxation. Every principle of sound public finance has been applied; and no unnecessary underassessment has limited available funds. As it is, we depend on the provincial legislature not only for subsidies, but also for services such as certain health, social service and charity benefits which elsewhere may be provided by the municipal authorities. For lack of funds the city also requires its citizens to assume the responsibility for garbage disposal and sidewalk clearance and depends heavily on the good services of volunteers in fire prevention and charity work.

The revenue sources and their comparison with those of Canadian municipalities generally are





shown by the following table:

Percentage of Gross Revenue

Source	Canadian cities	Charlotte-town	Charlotte-town
	1949	1949	1954
Taxes	73.97	80.1	83.4
Grants and subsidies	6.5	8.8	8.1
Earnings from municipal enterprise	12.6	6.2	3.9
Miscellaneous	9.4	4.9	4.6

This indicates clearly Charlottetown has a very low earning capacity from municipal enterprise; as a matter of fact the only source of revenue in this regard is from the department of water supply and this fluctuates, depending on the amount of maintenance and administrative costs.

The cost of municipal administration in relation to population has increased sharply:

<u>Year</u>	<u>Population</u>	<u>Expenditures</u>
1871	8,807	\$ 23,139.39
1900	12,080	93,097.42
1928	13,500	287,820.46
1954	15,887	863,665.07

The large increase in expenditure from 1928 is accounted for by increased costs in materials, labour, salaries, together with higher costs of education, debenture interest, payments to sinking funds, more and better public services, and increases in personnel and administration.



As the future financial situation appears now, the population will remain stationary while the costs will increase. While it is generally true that municipal expenditures grow at a more rapid rate than the municipality itself, we cannot find the means of keeping costs sufficiently low to diminish the difference. Moreover, our indebtedness is about as high as it can go.

Many local services which are increasing at the most rapid rates cannot pay for themselves. They require subsidies. The city now pays all it can by way of grants and exemption from taxes and the provincial contribution is substantial. The costs of these local services, that is, in hospitals and schools, are increasing and the financial pressure on them is consequently great. But we must look after our sick and educate our children and the necessary money must be found.

There are a few limited ways in which more money could be secured from the provincial government, such as an increase in lieu of municipal income tax, assistance for upkeep of main thoroughfares, a share of the gasoline tax, business tax on government stores such as liquor stores; or from the federal government, such as the granting of full powers to tax federal property and exemption from federal sales tax. It appears, however, that more extensive changes will have to be made in the division of both responsibilities and revenue among the three levels of government if the municipal responsibilities are to be



effectively handled and if competent and dedicated personnel are to be retained to do the work.

The housing requirements are not as great as in some other municipalities because the population has risen more gradually. But construction of houses and business establishments would undoubtedly rise sharply if the land were available in the city or if the city could afford to take in outlying centres and give them adequate service. Excellent possibilities exist if the funds are available. Yet there is expansion in the outlying areas despite their lack of facilities. We feel, therefore, that within the next 10 or 15 years our present city limits will have to be extended to include them and the necessary services will have to be provided by a higher level of government. Where the money is coming from is uncertain, but it will have to be raised.

We anticipate, too, that in the next decade we will be required to participate in the development of processing industries to handle the products of farm and sea. We must encourage such industries so as to develop our trade and provide a living for the young people whom we wish to hold here. We expect such industries to develop as we can provide the land and services. And we hope to welcome small industrial plants to serve the maritime area and to remedy somewhat the lack of balance between our exports of primary products and our imports of processed products. An example of the changeovers required in existing facilities is the fact that the





trend in food processing is away from canning to fresh-freezing. Seventy-five per cent of the frozen foods sold in Canada is imported from the United States; we believe that there are excellent possibilities of our participating in this field if the needed capital and direction are provided.

The development of any economic activity here will depend first and foremost on transportation, especially on the improvement of ferry services at Borden and Wood Islands. While the problem is provincial in scope, it is of particular concern to Charlottetown for the amount and efficiency of all our business depends on the convenience with which we can reach our markets. With the present growth of traffic to and from the island, and with business expansion, the present ferry services will not be able to handle the traffic.

This dependence on transportation is also illustrated by the tourist industry. The centennial celebrations of 1955 alone brought three-quarters of a million dollars to Charlottetown, and even then 25 per cent of the business had to be turned away because of the lack of adequate transportation. The future of our tourist industry is only limited by the extent of our transportation difficulties.

Transportation is not limited to ferries alone, it extends to air traffic and again this is restricted by the inadequate length of the present runways. The Department of Transport has now let a contract to extend the runways of the Charlottetown airport to



a new length of 3,600 feet. Previous to that they were 2,700 feet. Nevertheless, facilities will still not be adequate until a new 7,000-foot runway is constructed. This same lack of runway facilities has resulted in the moving of the major servicing facilities of Maritime Central Airways, a local concern, to Moncton, with the consequent loss of local employment and business.

With respect to coastal shipping, Charlottetown is a port and it would benefit substantially from any assistance which could be given to this form of transportation. The harbour is adequate, the docking facilities deplorable, but there is a supply of trained stevedores who work very occasionally. The possibilities of local industry would be greatly increased if the development of water transport were encouraged.

The possibility of reclaiming land along our waterfront would seem a most feasible project. This could be accomplished by setting interlocking steel piling from the west end of L.M. Poole's wharf to the railway wharf and then filling in between wharves. This reclaimed land could be utilized for industrial sites with access both by water and rail. This area of land would be approximately 20 acres.

Another great need is power. We have no hydro facilities and are forced to generate electricity by burning oil. The transportation of power from the mainland is expensive and, as yet, uneconomical, but there is a good possibility of being able to purchase





it elsewhere when we can create a greater demand for it by increasing the industrial use of it.

The need for school facilities is illustrated by the fact that not one school was constructed in the city between 1878 and 1954. The post-war increase in the number of children taxes our facilities and we must meet the need. There are ample facilities for the levels from grade 11 up, and a large new school takes care of the junior high school grades from 7 to 10. The early grades are still in the old buildings, the maintenance costs of which, together with the cost of the new school, are very high. The cost of education to the city has jumped from \$10,300 in 1900 to \$44,000 in 1928 to \$185,000 in 1954. Despite this rise we must maintain and improve physical facilities and, above all, an adequate supply of well trained and well paid teachers.

The problem of streets is largely one of replacing pavement which was originally constructed for lighter traffic, providing parking space in congested areas, and widening streets in several districts which developed rapidly. A good deal of community planning is needed here, and we hope to include improvement of traffic facilities in any plan for industrial and housing expansion.

With respect to recreation, Charlottetown is particularly blessed with facilities which are scarce or non-existent in larger centres. There are bathing beaches all around the city; golf is available with five minutes drive; fishing and shooting can be



enjoyed within very short distances; and Victoria park is available for walking and for athletic activities of all kinds. There is a large coliseum and fine race track in the exhibition grounds and an arena in the centre of the city for large gatherings and for ice skating and hockey in winter. Four city blocks are kept as "squares" for the enjoyment of both adults and children. All these facilities are readily available to all citizens regardless of their financial resources. There are several private community centres as well.

As for cultural centres, the city has one library to which is attached a small art gallery. As yet there is no museum to house the valuable records and antiques scattered among private owners. It is hoped that space could be made available, perhaps in the post office building which will soon be vacated, for a good museum which will be a tourist attraction and, even more important, a place for displays and study to serve our own people, particularly the children. There are two concert series, the Community Concerts and the Prince of Wales College Concerts, which bring good music each year. Private organizations also bring exhibits and entertainments to the city from time to time.

With respect to the administration and payment of recreational and cultural activities, we believe they should be retained under private control with liberal assistance from province and city. Any governmental budget should make ample provision for





the cultural facilities which contribute greatly to community spirit and to the happiness of all citizens.

This, gentlemen, terminates the brief which it has been my privilege to present. However, being brought up in a staunch Presbyterian home, and having had the Holy Book expounded to me during my early years, I cannot but recall the words contained in the 34th verse of the gospel according to St. Matthew, chapter 6:

"Take, therefore, no thought for the morrow: for the morrow shall take thought for the things of itself. Sufficient unto the day is the evil thereof."

Respectfully submitted by the city of Charlottetown.

MR. GUSHUE: Is that a recommendation to the commission?

MAYOR STEWART: It is.

MR. STEWART: It is certainly an amazing achievement to accommodate your children in the same schools over the period from 1878 to 1954.

MAYOR STEWART: I would say it is a shame rather than an achievement.

MR. STEWART: What is the average size of a class?

MAYOR STEWART: In some of our schools we are running double classes in the junior grades. They have had to be split.

MR. STEWART: You have a new junior high school?





MAYOR STEWART: Yes, and that has taken up a great deal of the slack at the higher levels.

MR. STEWART: Are the numbers increasing?

MAYOR STEWART: Yes, sir. We thought we would reach our peak in 1958, but I think the peak has been reached already.

MR. STEWART: Those now moving up through the lower grades will get into the high schools eventually?

MAYOR STEWART: Yes.

MR. STEWART: There is a reference to your post office building being replaced?

MAYOR STEWART: The story on that is that we are in the process of having a new federal building constructed, and it will be finished in about a year's time. At that time the present post office building will be vacant, and no doubt offered for sale, and I think it is the plan that the provincial government will take it over. We are suggesting that part of it could be utilized for a museum.

MR. STEWART: What proportion of the assessable property in the city is tax free?

MAYOR STEWART: About \$7 million, out of a total of \$25 million.

MR. STEWART: I noticed that the proportion of taxes in your total revenue has gone up.

MAYOR STEWART: About four years ago we put in a new system of assessment, and we feel it is one of the finest and best in Canada. We started out with a complete reassessment of the whole city in the



commercial and residential divisions, and then there is a further division into land and buildings. As I say, I think we have the most equitable system of any municipality of comparable size in Canada.

MR. STEWART: What is the mill rate?

MAYOR STEWART: It is 2.75, but that does not mean anything unless you know about the assessment. It is about three-quarters of the actual value.

MR. STEWART: What proportion of the mill rate goes for education?

MAYOR STEWART: Thirty-three per cent, and that is increasing.

MR. STEWART: May I skip over to the matter of port facilities. What kind of shipping comes into your port?

MAYOR STEWART: At the moment we have a line from Newfoundland; we have one from St. Pierre and Miquelon; we have one from the Magdalen Islands. There is a tourist boat that comes in during the summer months biweekly from Montreal, run by the Anticosti Company; and then during the course of the year we export possibly 10 to 20 shiploads of potatoes to the south.

MR. GRAUER: You have tourist boats from Montreal touching in here?

MAYOR STEWART: Just the one. In the old days there used to be very many.

MR. STEWART: You did rather well with your centennial?

MAYOR STEWART: Yes, we did.





MR. STEWART: How did you promote that?

MAYOR STEWART: Through a committee of public-minded citizens, sponsored financially by the city, with some slight help from the government; and we hope to make a further touch from the government now that it is over.

MR. STEWART: You cannot think of any other reasons for a centennial?

MAYOR STEWART: We tried this one for size; it was the centennial of the corporation. We can celebrate the founding of the city in about another six years, and we had such success this year that I think we will try it.

MR. STEWART: Were the visitors largely returning Prince Edward Islanders?

MAYOR STEWART: To a very great extent, but we did bring in many others. One of our objects was to bring in as many new people to the island as we could, in other words people who had not been here before, to let them see our tourist possibilities. We succeeded in that respect to a remarkable extent. The weather was kind to us, as it usually is, of course, and I think we have made a substantial investment in the tourist future of Canada within this province. That is a form of advertising by word of mouth which you cannot purchase. These people came and saw and were happy, and we hope they are going to go back and tell others. We hope for a considerable increase in the years to come.

To my mind the tourist industry is one



of the main possibilities in this province. It even supersedes agriculture. We have not even scratched the surface.

However, we are limited by our transportation facilities. During the peak of the season at least 25 per cent of the people arriving at the ferries at Tormentine and Wood Island saw the lineup and turned around and went home. These people came with all intentions of coming to this province. They even endured the roads of New Brunswick in order to reach Prince Edward Island, and then had to face this ferry problem and were turned away.

MR. GRAUER: How are you off for accommodation?

MAYOR STEWART: It is keeping up. I am sorry the premier did not go on with that this morning, because the provincial government did put in a system of subsidized tourist accommodation, with very good results. I believe our accommodation can keep up as the years go by, provided the transportation facilities are adequate.

MR. GRAUER: Is that purely a summer tourist business?

MAYOR STEWART: Yes; it runs from about June 15 to September 15. If you gentlemen could move Labour Day to the end of September we would have a really good season.

MR. GRAUER: With your mellifluous climate you could not get them in here in the winter time?

MAYOR STEWART: No, I would not recommend it.





MR. GUSHUE: You mentioned the hope of participation in the frozen food industry.

MAYOR STEWART: Yes.

MR. GUSHUE: Is there any shipment of frozen foods from the island now?

MAYOR STEWART: Practically none. There is in the form of fish, but it is just beginning.

MR. GUSHUE: On a small scale?

MAYOR STEWART: Yes.

MR. GUSHUE: What other commodities would you expect to include?

MAYOR STEWART: Small fruits, vegetables, potatoes, peas, beans, carrots, broccoli; the whole business. We can grow them here and produce high quality products. There is a possibility that the Bird's Eye people may be interested in coming in here.

THE CHAIRMAN: They have just been acquired by whom?

MAYOR STEWART: National Sea Foods.

THE CHAIRMAN: When you refer to the fact that you should promote the food processing industry, you indicate that you need both capital and direction.

MAYOR STEWART: Yes.

THE CHAIRMAN: But do you not think if you got the direction you would get the capital?

MAYOR STEWART: Yes.

MR. GUSHUE: Would you need more power?

MAYOR STEWART: Yes, we would need more power. We are right up to our peak in power now. We are adding another unit next June, and I think it is





practically taken up now.

We have a secondary industry here, in Canada Packers. They employ 260 people in the processing of their various products in the meat line, but they also have to import a great deal of their raw material from the other provinces.

THE CHAIRMAN: As Mr. Grauer said, the cost of power is relatively unimportant in most industries.

MAYOR STEWART: Well, I think when you see our rates you will see that they are substantially higher than in the other maritime provinces.

MR. GRAUER: With steam generation, of course --

MAYOR STEWART: And oil.

MR. GRAUER: The smaller the unit the more costly it is.

MAYOR STEWART: That is true. Was there any mention made in Halifax of producing power at the pithead?

THE CHAIRMAN: We heard a little about it.

MR. GRAUER: The power company did produce an analysis which showed that it would be considerably more costly to build the transmission lines from the pithead than it would be to transport the coal to the population centres.

MAYOR STEWART: It is the cost of transporting the power from the pithead that is the big obstacle?

MR. GUSHUE: Yes.



MAYOR STEWART: Was there any suggestion that the federal government might provide the means of transmission, in as much as they are providing facilities for transportation from Montreal to Chicago?

MR. GRAUER: That suggestion was not made. Of course you hit the railways if you do that.

MR. STEWART: What is the price of fuel here?

MAYOR STEWART: They are using bunker C oil which is brought in by steamer and I think it is in the vicinity of 10 cents a gallon. I would not be too certain of the figure.

MR. GRAUER: You make reference to the airport and the need for longer runways.

MAYOR STEWART: That is one thing I would like to emphasize. The airport is owned by the city of Charlottetown and leased to the Department of Transport. We have told the government that we will provide the land for the extension of the runways.

With the extension of the runways to 3,600 feet, that will only take DC 3's. In order to get the four-engine jobs in we have to have the 7,000 foot runways. In order to bring back the main shops of the Maritime Central Airways we need to have those longer runways.

THE CHAIRMAN: Would they come back?

MAYOR STEWART: Yes, I am quite sure they would. It is a home firm, and this is their home port. Many of their employees have their homes here. Then





I think there is a big future in the moving of frozen foods by air transport from here, and I am thinking also of the Ungava development in the north. While it is in its infancy, I think there is a real possibility there, but we cannot do anything until we get the runways. I am still optimistic, now that we have a Minister of Transport who has been brought up through the municipal field. He may see the matter in a different light.

MR. GRAUER: How is your weather here for flying in the winter?

MAYOR STEWART: We have about the best weather of any province in the Atlantic region. It is fog free. There is another point; if we had the extension of the runways this airport could prove to be very important in case of a national emergency, as an alternative to either Summerside or Chatham.

MR. GUSHUE: They used Prince Edward Island for training during the war, did they not?

MAYOR STEWART: They did. There is also the possibility of bad weather at this time of the year, and it could take some of the load off Newfoundland now as well as in the spring of the year. There is a possibility in the spring of the year, as I said, of handling trans-Atlantic traffic, either through New York or Montreal, provided we have that runway; and in the spring of the year especially, when that need would be greatest, our hotel is at its lowest capacity. You have seen the hotel; we can accommodate trainloads



of people there. One of the most important things, and I cannot overemphasize it, to the future economy of the city and province is the extension of those runways.

THE CHAIRMAN: Would one runway be enough?

MAYOR STEWART: They tell us so. We can place it in such a direction that it will serve 90 per cent of the time.

MR. LUSSIER: If you were to get the capital you require to build up all the improvements you recommend, do you think you would be able to get the trained labour here to carry on that work?

MAYOR STEWART: Yes.

MR. LUSSIER: You have plenty of labour for that?

MAYOR STEWART: Yes.

MR. LUSSIER: So the only thing you lack is money?

MAYOR STEWART: I think a great many of our people who are now employed in Ontario and the New England states would come home, and there are a great number of people available here. For years we have been exporting 75 per cent of our people. We have in the New England states today six islanders for every islander at home. Latterly that trend has been to Montreal and Toronto. If we had the industries here those young people would come back; I am quite sure of that. I cannot see any problem in connection with labour.

MR. GRAUER: In connection with your





educational system I take it that there is overcrowding?

MAYOR STEWART: In the elementary grades.

MR. GRAUER: Is that because of some relatively temporary factors, or is there an increase in the birthrate?

MAYOR STEWART: We have had the same increase in the birthrate which the rest of Canada has experienced.

MR. GRAUER: There is no sign of that slackening off?

MAYOR STEWART: No. We had hoped that the entry to the schools would have reached its peak in 1958, but that figure has now been projected a little further ahead.

MR. GRAUER: How about the supply of teachers; is that a problem?

MAYOR STEWART: Yes, it is an ever-recurring problem. It is a serious problem, mainly because we cannot afford to pay them well. I understand you are getting a brief later on from the teachers.

MR. GRAUER: You do have a normal school here?

MAYOR STEWART: Yes, we do.

MR. GRAUER: What about vocational training?

MAYOR STEWART: We have a vocational school here. It has mainly short courses, although they do give a course of two or three years duration in motor mechanics. It has been in operation for only a few years, and it is growing in popularity. I believe it is filling





a great need, but I do not believe there has been a good enough selling job on the part of the people operating it.

MR. GRAUER: You have no particular problem there that cannot be dealt with locally?

MAYOR STEWART: No.

MR. GUSHUE: Is that a joint federal-provincial matter?

MAYOR STEWART: Well, it is helped through the Department of Labour.

MR. GRAUER: The table on page 3 of your brief shows a large jump in expenditures, particularly from 1928 to 1954, with relation to the increase in population. Were there any particular reasons for that?

MAYOR STEWART: Just an accumulation of general things. I went into that figure, because it was rather startling, but there was not any one thing.

MR. GRAUER: It causes me to wonder whether that is going to keep up in the same way, if there was nothing particular causing it in the past.

MAYOR STEWART: I am afraid it is, because our debenture debt is going up year by year. We are capitalizing too much, though we still got an excellent price for our bonds last year.

MR. GRAUER: It is a financial problem, then?

MAYOR STEWART: It is an ever increasing one, and I do not know what is the answer.

THE CHAIRMAN: Well, thank you very much, Colonel Stewart, for this presentation. We shall look



forward to having you appear before us again --

MAYOR STEWART: At greater length.

THE CHAIRMAN: -- in your capacity as president of the Canadian Federation of Mayors and Municipalities.

MAYOR STEWART: Thank you very much.

THE CHAIRMAN: The submission of the city will be Exhibit 15. I now call upon Mr. J. L. Dewar, secretary of the Prince Edward Island Federation of Agriculture. Mr. Dewar, we are grateful for your presentation which we had a chance to read through quickly and which we will mark as Exhibit 16. Would you care to present this now?





MR. DEWAR: Mr. Chairman and gentlemen: while I appear before you as the secretary of the Federation of Agriculture, I would like to introduce myself to the commission as a dairy farmer and possibly as a sixth generation farmer in this province.

I do not know whether I should add to the remarks which have been made already with respect to the weather, other than to say that there is no such thing as bad weather; there are only different kinds of good weather, and that is what we always have here.

The Prince Edward Island Federation of Agriculture welcomes and appreciates the opportunity of making a statement before this commission. We recognize the fact that your commission has a most important and far-reaching assignment in appraising Canada's economic prospects. We believe the present time is an opportune one for such an appraisal and we are convinced that the deliberations of this commission will be of marked importance and value in the charting of the economic paths which the Canadian people are likely to follow in the coming years. It is not the intention to have this brief deal with national questions nor is it the intention for it to deal with the general economy of this province. The material to be presented will deal only with agricultural matters pertaining to this province and will digress into broader fields only where there would appear to be a clear relationship.

The population of Prince Edward Island has, for the most part, consisted of the descendants of the original French, Scottish, Irish, and to a lesser



extent English pioneers. During the past decade there has been added to these races a substantial number of people from the Netherlands with a few from other European countries. The population is, therefore, comprised of people who are traditionally good agriculturists. This, coupled with the fact that both the soil and climate are extremely favourable, has made Prince Edward Island one of Canada's outstanding agricultural provinces. Prince Edward Island is a maritime province that farms, and agriculture is by far, in point of value and number of people employed, the most important industry. Few rural societies are able to absorb the natural population increase and this has been for many years true in this province. After 1891 immigration to the New England states -- commonly known as the Boston states -- followed a few decades later by the movement to western Canada, produced a marked decline in the total population. From 1881 to 1941 the rural population decreased by almost 25,000. This trend is still in evidence with the farm population decreasing both relatively and absolutely. At the moment there is nothing to indicate any reversal as farm mechanization will make it possible to effect still greater economies in manpower while maintaining at approximately the same level the production of crops and products which lend themselves to mechanization and large-scale operations.

Our organization believes that the population has the aptitude, ingenuity and resourcefulness, together with a natural love for the soil which under





reasonably favourable conditions should have produced better results than is the case in many localities.

It is in part the purpose of this brief to discuss in a general way some of the factors which have had and may continue to have an adverse effect upon agricultural developments.

Transportation is normally a problem with any island and in particular with small islands which are located at great distances from their markets. The natural markets for our farm products are the cities of the Atlantic seaboard, and most of those cities are in the United States, but political divisions and tariff arrangements shut us out of these markets which could be cheaply supplied by water. At the present time the only market of real value in that area is that existing for seed potatoes in the southeastern United States. Island potato shippers are free to make use of steamers of foreign registry which provide much cheaper haulage than is the case with ships of American registry which Maine potato growers must use. These growers are the chief competitors of the island for that seed potato market. Should anything occur to adversely affect this advantage, the island seed potato industry would suffer.

Transportation is one of the largest expenses charged against our production and affects not only the value of our sales but the cost of equipment and raw material used in production. Therefore it follows that any change in freight rates can have a marked effect upon the island economy; that is, any change up or down.





It can be expected that within the not too distant future a marked lowering of air freight rates will take place, possibly to the extent of 50 per cent. Lower air freight rates will be of marked significance in encouraging the production of a wider variety of small fruits and products which can be economically concentrated. For example, the development of an instantly soluble whole milk powder would be of utmost importance to the island dairy industry. Such a product is one which could be transported by air into Newfoundland and Labrador.

Slow but steady progress has been made over the years in the provision of ferry service between Borden-Tormentine and Wood Islands-Cariboo, the latter service operating for seven months of the year. It would appear logical and may be accepted as a certainty that the port of Georgetown, one of the best on the Atlantic seaboard, will be used as the island terminal for a winter ferry service operating either to Pictou or a point in Cape Breton. The automobile age and modern standards of living do not permit economic hibernation, hence the importance of maintaining transportation at a high level of efficiency throughout the winter months.

The effect of the St. Lawrence seaway project is a story which only the future can tell. Unquestionably its development will be beneficial to Canada but it is not at all certain that these benefits will be shared by the maritimes. In fact, there could be very real difficulties, particularly if science solves the problem of keeping the St. Lawrence open



during the winter months. Should this come about, the ports of Saint John and Halifax would suffer severely.

Increasing rail freight rates will have the effect of forcing island producers either to use alternative forms of transportation or to produce less bulky products of a higher relative value. While water transportation is economical, yet this advantage has not been used to any marked extent. Rail transportation will continue to be expensive. Relief to the island in this field would appear to rest with modern developments and economies in highway trucking and air transport.

Hog, poultry and dairy production is to a substantial degree dependent upon the freight assistance policy on western grains. This policy is under an order in council and were the order in council not to be renewed the whole maritimelivestock industry would suffer a serious blow. The cancellation of this policy would create an immediate demand for the provision of grain elevator space at strategic points in the maritimes.

For over 100 years the land of the province has been owned almost entirely by the people who farm it. This has produced almost a 100 per cent family farmer system. The average farm consists of less than 100 acres with approximately 62 ~~under~~ the plough. A unit of this size is hardly ideal for commercial purposes and for supporting improved living standards and greater and greater demands for mechanized equipment. In this province the family farm will continue to be





the general and most suitable unit but its size will increase together with the investment in it. Relatively land is extremely cheap and this condition will likely continue and will serve as a barrier to any general system of tenancy. The only danger to be guarded against in this respect will be those inherent in the production of cash crops and resulting in sharecropping, crop mortgages and crop liens.

Too many localities have substantial areas of land once cultivated and now reverting to woodland, much of it scrub growth. These areas are unproductive from a taxation standpoint and will eventually lead to the necessity of expropriation proceedings by government, possibly with a view to general and supervised reforestation.

The realization that beef cattle do not need to be closely confined in winter will result in larger areas of cheap land being used for grazing and the production of roughage to sustain larger units for beef production.

The island system of agriculture may be generally described as mixed farming. However, at various periods there has been specialization, such as the production of oats during the latter period of the 19th century for export to England. The growing of oats did little, if anything, to improve the farmer's position and did much to impoverish the soil. The succeeding generations have been forced to spend far more in soil restoration than the grain trade ever returned.



The silver fox industry was possibly one of the most profitable ventures ever initiated in this province. Capital investment and production costs were relatively small and during the depression years when a large proportion of farmers had a few pens of foxes, this industry did much to save agriculture from complete collapse. Fox farming is now a thing of the past nor does there appear to be any likelihood of its returning to importance.

For over 30 years a large proportion of farmers have produced potatoes, both seed and table stock, as a cash crop. Potato growing is a high cost, high risk, speculative enterprise and characterized by wide market variations from season to season and within the season. A separate section in this brief will be devoted to the potato industry. The average farm produces for sale churning cream, bacon hogs, a few beef cattle, and a generally declining amount of poultry products. In certain localities the woodlot is an important source of revenue in the form of firewood, lumber, pit wood and pulpwood. I might just remark here that I am considering lumbering here on the woodlot as part of the agricultural enterprise, and in total it is of more importance than is generally realized. Trees make rapid growth and it can be expected that with some attention being paid to production, the farm woodlot will continue to be a substantial source of income in total.

A limited development in the production of small fruits and vegetables for canning and freezing





may be expected. It is not likely that this will become general, at least for some time to come, as island farmers are not by inclination gardeners and will continue to prefer a type of operation which is more extensive and less painstaking.

Hog production will continue to depend on western grain and the sale of high class Yorkshire breeding stock will continue until such time as island pre-eminence in this field will be replaced by a more popular breed.

Cheap land, inexpensive housing, and larger holdings will encourage an expansion in cattle raising. On farms where dairying is of major importance, herds will tend to increase in size, but breeders of pure bred dairy cattle will continue to face difficulty in obtaining a share of a substantial export trade to South American and European countries, a trade which is now confined almost entirely to Ontario.

Cattle and hog numbers will continue to show a gradual increase. The poultry industry faces for some years a decline in relative importance.

The lack of alternative forms of endeavour results in a large proportion of the business community being involved or interested in either the handling of farm products or in the supplying of goods and services. This situation suggests that any action taken by the farm population with respect to marketing will be carefully scrutinized by business people and, where their special interests will be affected, strenuously opposed. Any group of producers located at a great distance from





their markets must be correspondingly more efficient in marketing than those in closer proximity. Island agriculture may be considered backward in its approach to marketing. Changes will not come readily or without a great struggle, as the business community is influential both economically and politically. Attention on the part of the farmer to marketing will not stem solely from the hope of higher returns but will occupy itself with the necessity of offering for sale only products of the highest possible quality. Transportation costs cannot be economically borne by any other type of commodity. Increased demand for island products will be associated with an expanded Canadian market rather than with an expanded maritime market.

We predict that the future of agriculture in this province is bound up in the development of effective control and in marketing through organizations established by the farmers themselves. Such controls will be necessary to insure orderly marketing and high quality.

The potato industry is of vital importance in the general economy and as such merits special reference. The soil, the climate, and the temperament of the people are suited to potato growing. In addition, the speculative nature of the enterprise attracts those who are interested in more exciting investments than utilities and government bonds. The province has enjoyed a high reputation for the disease-free quality of its seed potatoes and, until the development of heavier-yielding varieties, commanded some valuable



superiority in table potatoes.

Per capita consumption of potatoes in North America has been declining for some years and there is nothing to indicate any reversal. The trend toward offering potatoes in processed form in small packages will be of small benefit to the farmer. These products will not vary in retail price to any marked extent; therefore any fluctuations in prices due to supply will be absorbed by the producer.

It would be unwise and possibly wholly incorrect to assume that potato production will continue to be a major permanent feature of island agriculture. High production costs, high transportation costs, lowering consumption, lack of tariff protection, the difficulty of maintaining the disease-free status plus the advantage in marketing held by the dealer-grower all point to potato growing as an endeavour in which the average farmer must surmount great obstacles for survival. The future of the industry would appear to rest on a system of production and marketing which exercises under recognized authority close control in production and marketing. While as an individual the farmer may be impelled to fight for the right of making his own mistakes, present conditions indicate that any protracted period of mistake-making with this industry will result in its passing from the scene together with oat growing and fur farming.

In the past, rural attitudes on education have been contradictory. Farm people have been firm believers in providing higher education for the





professions but have been content with a minimum of both formal and professional education for themselves. While at the present time there would appear to be a gradual improvement in the formal or academic level of education, there is little if any general interest in acquiring scientific knowledge with respect to many of the skills required in agriculture. Interest in adult education is confined to a limited number of the population as evidenced by the fact that less than 60 farm radio forums operate in the island's 500 rural communities. The provision of education is an expensive proposition for a rural society, and hundreds of island farms carry mortgages which were incurred to give a son or a daughter the type of education which would enable them to make an easier living than had been the case with the parents. That, of course, may be a mistaken conception.

Prince Edward Island's major contribution in the field of nation building has been in the export of its young people together with the investment involved in educating them. Meritorious as this contribution has been it is one which the island's economy is in a poor position to sustain and one which must soon be recognized in a tangible way.

We do not believe that the federal authority can much longer evade its basic responsibilities in the educational field. We, therefore, look forward with considerable confidence to federal assistance in education and, consequently, ~~marked~~ improvement in educational standards for the entire population with a



lessening of the heavy burden so long carried on the shoulders of rural people. Social and economic development among our rural people will, to a large extent, depend upon a greater interest in education.

Prince Edward Island, dependent mainly on agriculture and the tourist industry -- I am afraid I cannot be quite as optimistic as Mayor Stewart is about the tourist industry -- cannot likely expect any great economic expansion. It is a mature economy and while there has been an increase in physical volume of agricultural production since 1946, this has been the farmer's answer to meeting higher costs with cheaper products. Even if the maritimes were to become self-sufficient in food production within the next 25 years, it is doubtful if the industry would employ more people.

Agricultural progress in this province will depend in part upon the following:

(a) The development on the part of the farmer of a greater respect for his own occupation and the acquiring of a real sense of worth in the economic community.

(b) The paying of greater attention to methods of marketing and to increasing the island's share of the Atlantic region markets.

(c) Marketing practice in agriculture must be brought up to a similar standard of efficiency as existing in other industries, otherwise increased production will do little to increase income.

(d) Extension work by government departments should be directed more toward processing, storage





and marketing rather than toward production.

(e) Increased attention to the farm woodlot can play an important part in supplementing farm income.

(f) Provision of better transportation facilities, all-weather roads and cheap power will play a part in increasing net income.

(g) The performance of immigrants from the temperate zone of Europe justifies the placing of such new Canadians on available and suitable farm lands. The immigrant brings with him a fresh approach, new ideas and originality. He places a high value on land and his contribution in the form of new skill and culture is of definite value.

(h) Intensification of production and improvement of the quality is indicated if competition is to be met.

(i) The development of joint and community ownership of heavier mechanized farm equipment will be of material assistance in sustaining the family farm as a unit.

(j) More attention must be paid to vocational education for agriculture to the end that young farmers will be better equipped with scientific knowledge and practical skills. That goes for young farmers' wives, too.

(k) The high cost of establishing farms suggests the necessity of establishing better credit facilities for agriculture.

(l) The rural community holds within





itself the power to strengthen the nation. This power can only be applied when the members of the community learn to study, work and play together. While there is no wholesale force which can be applied to change or improve the rural community as a social and citizenship building unit, it is suggested that the rural community will benefit during the next quarter century by a greater use of study groups, kitchen meetings, library service, periodicals, radio, television, folk schools, short courses and evening classes and the development of more effective and better supported farm organizations.

We regret that this brief could not be more optimistic in tone, but the realities of the situation must be faced. The Prince Edward Islanders who have remained at home have accepted the necessity of making a greater effort in obtaining a living than might be necessary in other areas and other types of employment. This greater effort, together with the willingness to forgo many of the luxuries and amenities of living, has kept the farmer in business. However, the world is shrinking every day and young people are well aware of the fact that thousands of miles may be travelled in a few hours. The farm must compete with the labour markets of the St. Lawrence region and its survival will depend upon its ability to attract and hold workers.

Our organization expresses its thanks for the privilege of appearing before this commission. We appreciate the courtesies extended in hearing our



presentation and express our confidence in your work making an outstanding contribution to the development of this nation.

THE CHAIRMAN: Thank you, Mr. Dewar, for a fine presentation. Would you be willing to answer a few questions?

MR. DEWAR: I would be willing to try.

MR. GUSHUE: Might I ask the approximate number of immigrants from Europe within the last decade, if you happen to have that figure?

MR. DEWAR: It is pretty difficult for me to answer that exactly, but a guess would be in the vicinity of about 2,000. That would be since 1946. Following 1946 we had quite a number of people who might be described as displaced persons who were brought in. They were people of Polish extraction. Then under the immigration policy we have had a substantial number of people from the Netherlands, and many of those have taken up farms and have proven to be very, very satisfactory citizens. They are making a success of their farms in practically every instance.

MR. GRAUER: Are they diversified farms?

MR. DEWAR: That is right.

MR. GUSHUE: Did they have any difficulty in acquiring farms? I suppose they acquired them by purchase?

MR. DEWAR: Yes. No; there is no particular difficulty as far as the Dutch settlers were concerned, because they are considered preferred risks, and in some cases quite good farms have been turned over to them for a very small down payment. Land is cheap in





this province, extremely cheap. In some cases good farms with quite satisfactory buildings on them have been bought by Dutch settlers for as low as \$2,300.

MR. GRAUER: What would that work out at per acre?

MR. DEWAR: I may illustrate that in this way. The Department of Veterans Affairs, in purchasing farms in this province, had an upper limit of about \$4,800 for a 100-acre farm, and then were prepared to allow an additional expenditure of \$1,200 for improvements, making a 100-acre farm about a \$6,000 unit. On the other hand, you can purchase farms of 100 acres with reasonably good buildings generally for from \$3,500 to \$5,000.

MR. GUSHUE: You mention the possibility of an expanded milk market in the Newfoundland area. Has that been studied? Perhaps I had better elaborate on that a little. I know the area well, of course, and it is not a place in which milk can be purchased cheaply. As a matter of fact many people just cannot get fresh milk, and I was wondering if the island here could export milk and perhaps reconstitute it and distribute it down there. Has there been a study of that possibility?

MR. DEWAR: There has been some study. At the present time we have operating in this province one evaporating plant for evaporated milk; that is canned milk. I believe that is going into Newfoundland at the present time. The product I referred to was an instant soluble whole milk powder. At the present



time there is an instantly soluble skim milk powder, but so far science has not solved the problem of an instantly soluble whole milk powder, due to the difficulty of breaking up all the fats.

MR. GUSHUE: You could do it if you had a plant to reconstitute it?

MR. DEWAR: Yes. There is a whole milk powder, but it is difficult to get it thoroughly mixed into the water or whatever you mix it with. The reconstituted milk to which you refer does not appear to have been a very great success. It was used in the United States, but it has not continued to expand as a commercial product.

MR. GUSHUE: Of course they have had more competition from the fresh milk there, but you would not have any in Newfoundland.

MR. DEWAR: Well, I think there is going to be perhaps a cheaper supply of milk for Newfoundland than you would have producing it there yourselves, because I realize the difficulties. This instantly soluble whole milk powder would be the answer to it, if you did not like the canned milk.

MR. STEWART: The farm population has been decreasing for some considerable time?

MR. DEWAR: That is quite true. While the total population of the province has been increasing the farm population has been decreasing. I have stated that from 1880 to 1941 there was a decline of about 25,000 in the rural population. That, of course, is not all farm population, because some of the





rural population are not farmers.

MR. STEWART: Has there also been a decline in the number of farm units?

MR. DEWAR: Yes, I would say there has been.

MR. STEWART: Has this been accompanied by a decrease in the land in farms?

MR. DEWAR: From 1841 to 1941 the average acreage of improved land rose from 22 acres -- it was 22 acres in 1841, and rose gradually by about 5 acres per decade until in 1931 it reached 60. It was still 60 in 1941, and at the present time it is estimated at approximately 63 acres of land under the plough per farm. The average size of farm is still under 100 acres in this province.

MR. STEWART: Do you know whether the total area in farms, or the total improved area in farms, has decreased?

MR. DEWAR: Yes, it definitely has.

MR. STEWART: On page 10 of your brief you do point out that the physical volume of production has gone up?

MR. DEWAR: That is right.

MR. STEWART: So you have had a decrease in population on the farms and a decrease in land in farms, with an increase in physical production. Is that correct?

MR. DEWAR: That is correct. If you are interested in the exact figures for the maritime provinces I can give you that exactly. The Atlantic





agricultural labour force has been falling steadily since 1946. In 1946 there were 94,000 engaged in agriculture; and at August, 1954, the estimate was 59,000. So from 1946 to 1954 it fell from 94,000 to 59,000 in the Atlantic region. While the decline in Prince Edward Island might not be exactly the same, percentage-wise, yet there is a substantial decline.

MR. STEWART: You point out that this is the farmer's response to high costs, by expanding his output. Is that the result of changes in the equipment on the farms, or do you just mean that the farmer works harder under these conditions and produces more; or has he been adding to his working capital on the farm?

MR. DEWAR: I think it is a combination of the facts you mention. Certainly power farming and mechanization have enabled fewer farmers to farm more land; and I think the farmer is working harder. I do not think there is any doubt about that. We have a great many farmers who are working extremely hard to pay for labour saving devices.

MR. STEWART: You mention land values and purchase prices of property, and these do seem to us surprisingly low. How about investment in equipment? Has that been going up?

MR. DEWAR: Definitely; very much so. In 1946 I believe there were about 3,000 motor trucks registered in this province. At the present time that number is roughly about 7,000. The bulk of that increase would be in the form of the half-ton



trucks which can be purchased by the farmer and financed under the Farm Improvement Loans Act. Certainly there has been a tremendous increase, too, in the farm tractors that are used, and the grain combines, hay balers and generally those types of farm equipment which are very, very expensive.

MR. STEWART: I would gather that there have also been changes in the type of farming. You refer to the declining poultry production. What is the explanation for that?

MR. DEWAR: I think in part it was poor marketing practices, for one thing. I think perhaps that is the chief reason.

MR. STEWART: They are no worse than they have been in the past, are they?

MR. DEWAR: Relatively, yes, as compared with other sections of the poultry industry in other parts of the maritimes and in Canada. Yes, they are.

MR. STEWART: We were told of a substantial increase in poultry production in Nova Scotia. Was that your market?

MR. DEWAR: The Annapolis valley, of course, has had a tremendous increase in poultry production, and they are putting out a really good quality product. They have been taking some of our market. They are just doing a better job.

MR. STEWART: You suggest that beef production may increase?

MR. DEWAR: Yes.





MR. STEWART: And you make reference to the freight assistance. What portion of your feed, say for dairy cattle and beef production, would be imported and brought in under the assistance act?

MR. DEWAR: In the form of western grain and in the by-products of wheat -- that would be bran, shorts and middlings -- we are assisted at the present time to the extent of roughly \$12.60 per ton. Most of that imported feed is used for hogs and poultry, not to such a great extent for dairy cattle, as most of our dairy farms produce their own feed in the form of pasture and roughage. While I do not have the exact figures, since the inception of that policy I think the dominion government has paid almost \$5 million in freight assistance in connection with the purchase of feed grains in this province, at what I would estimate roughly as an average of \$10 per ton. The freight rates generally have increased since 1946, and while the rate of assistance at present is \$12.60, I think the average over the years would be roughly \$10 per ton. So dividing that into \$5 million would give the total poundage. With hogs it is particularly important and with poultry, too, but not to the same extent with dairy cattle.

MR. STEWART: You mention the position which your hog breeders have achieved through building up the quality of their stock. You seem to be a little afraid of a new breed coming in and displacing it. In the case of potatoes you mention that at one time you had a preference in table stock, but that



other varieties had come in elsewhere, presumably, and affected your position in that regard.

The question I want to ask is, what is being done in the way of experimental work and research specifically directed at the province of Prince Edward Island?

MR. DEWAR: With respect to the potato industry?

MR. STEWART: Potatoes or livestock. You have an experimental farm here?

MR. DEWAR: Yes, that is correct. We do have an experimental station here, and it is carrying on a swine testing improvement programme administered under the federal department. It has done a very good job in improving the level of quality in our hogs.

I doubt whether I can give you a satisfactory answer to the question of what is being done. Production-wise I think the farmer in this province is fairly sharp. He keeps his ears open and his eyes open for anything that is new in the way of better varieties and better cultural methods. But as far as the testing of products is concerned I would not suggest that there is a great deal being done in that, other than what is being done by private initiative. That is, there is no one, at least to my knowledge, who will take a variety of potato and analyze that variety to say well, this is really an excellent table potato and it can be depended upon to pack well or boil well or fry well or anything else.

MR. STEWART: Do you think more could be





done advantageously in this direction?

MR. DEWAR: I feel that there is room for a great deal more research work with regard to quality and flavour and consumer appeal in farm products. I think that is part of a good system of marketing.

MR. STEWART: This brings us into the marketing field again. Somewhere in your brief you refer to the fact that future markets, in so far as they will provide for expansion, will come about through an expanded Canadian market. What specifically have you in mind there?

MR. DEWAR: Well, perhaps I have a little more faith in the economy of Canada than I have in the economy of the maritime provinces. I think we can look forward upon the completion of the St. Lawrence seaway to a tremendous industrial development in that area, possibly one of the greatest in the world, because the iron and steel are available and the power is available. Perhaps by the year 2,000 you will have what will be almost an urban area stretching from Montreal to Niagara Falls and perhaps even further.

That sort of development will mean a tremendous population increase there. A population increase means that much good land that is now used in Ontario and Quebec for agricultural production will be used for other purposes, and I would expect that perhaps during the next 25 years part of the production of small fruits and vegetables that forms an important part of the Ontario economy in the Niagara peninsula





is going to be looking for another home.

As one of the previous witnesses pointed out, we have proved that we can grow twice as many cucumbers per acre here as they can in Ontario. We have proof -- and it only came out this year -- that our yield of canning peas per acre is almost double the national average. That is important from the standpoint of economy in competing with any of these other products.

MR. STEWART: You refer to organized marketing. You have had some experience with that in this province. Would you care to comment on that?

MR. DEWAR: Yes, we have had some experience. Actually over a long period of years the farmer has been experimenting with a variety of organizations as far as marketing is concerned. Away back in 1913 the farmers of the province, with the assistance of the federal people, set up the Co-operative Egg and Poultry Association. Previous to 1913 we had the reputation of having the worst eggs in Canada. After that organization was set up, within three months we had the reputation of having the best eggs in Canada; so things do change in the poultry industry.

We have had a variety of associations and communities experimenting in the field of marketing, and more recently a marketing board under marketing legislation.

MR. STEWART: How is it functioning?

MR. DEWAR: Well, that would be quite a



long story in itself.

MR. STEWART: Would it be a sad one?

MR. DEWAR: Well, no. I would say it would be an interesting story.

MR. STEWART: Do potatoes come under the Price Support Act?

MR. DEWAR: Yes, potatoes actually were the first product to come under the Price Support Act when it became a federal statute in 1946. In 1946, 1949, 1951 and 1953 the potato industry here benefited through deficiency payments under the Agricultural Products Co-operative Marketing Act. Those amounted to about \$2,500,000, but it was not under the Price Support Act; it was under a different act in the form of a deficiency payment.

MR. STEWART: Has the Price Support Act been effective at any time in this province?

MR. DEWAR: Yes, definitely in 1946, in 1949 and in 1951. On the 1949 crop the dominion government actually bought potatoes in the spring of the year in the farmers' cellars. No; that is not right. Inspectors made an estimate of the quantity of potatoes in the bins, and the farmers were paid so much for them. Then for the crop of 1950 there was a small starch assistance programme, which involved about 400 car lots.

Actually the amount of money, other than that deficiency payment, has not been very large. In 1949 the federal people negotiated what they called a British order. Just what the loss was on that I do not





know. I think it amounted to about \$70,000. There was a surplus of potatoes in that year, and an order was negotiated with Great Britain which took the bulk away from us.

MR. STEWART: You referred to marketing on the Atlantic seaboard. Would you care to comment on that and tell us about the United States regulations and their effect on the sale of your produce there? I understand you also had some trouble with the regulations of Porto Rico. Would you comment on that?

MR. DEWAR: I am not sure just what your reference is with respect to Porto Rico, but if I might comment in a general way I do say in the brief that we had a substantial market for seed potatoes, most of them going to Florida. In addition we have a market in the New England states for table turnips, roughly 1,000 carloads a year -- also a market that has not been very well serviced. That is about the only thing we do sell in the eastern United States, other than occasionally a few pure bred dairy cattle, and that is a very small thing, as well as pure bred swine.

MR. STEWART: You have no substantial market in the Caribbean?

MR. DEWAR: We do have a small market for table potatoes in those areas. Usually they are interested in the small, little potato. They will take the very small ones, and we do sell some cheap potatoes to Cuba. There is also a market, I understand, for some dried fish in that area.



MR. GRAUER: Arising out of Dr. Stewart's inquiry, I take it that the fears you express about the St. Lawrence seaway on page 4 are more on behalf of the other Atlantic provinces, and that actually as far as Prince Edward Island is concerned there might be a very substantial market develop should it have the result which you anticipate, of a vast industrial complex stretching from Montreal to Niagara?

MR. DEWAR: At the present time, of course, our agricultural producers here have very strong competition in the Newfoundland market from Ontario and Quebec; and the development of the St. Lawrence seaway will likely put that area in a still more preferred position to go into the Newfoundland market. It is going to be easier and less expensive for them to get into the Newfoundland market.

MR. GRAUER: I suppose it might also depend to some extent on what shipping facilities Prince Edward Island gets?

MR. DEWAR: Of course that is the logical reaction to that statement; but in spite of the fact that we should have a waterborne advantage we do not have, to any great extent.

MR. GUSHUE: But there is no return freight to the areas of the St. Lawrence?

MR. DEWAR: No, that is probably true; our purchases of Newfoundland products, I admit, are fairly limited. Cement might be of interest to us at the moment.

MR. GRAUER: Usually an agricultural region





is good in the matter of return freight from industrial centres such as Ontario and Quebec. However, that is all in the future.

As to the farming situation, you spoke about the importance of the woodlot in the way of providing supplementary income. Is there much combination employment in Prince Edward Island? I noticed that one of the briefs this morning said that when ships came in there was no lack of stevedores, although it was only part-time labour. Are there other directions in which supplementary income is gained by some farmers?

MR. DEWAR: Yes, that is true. In the spring of the year quite a number of people who would be classed by the census bureau as farmers are actually fishermen for two months. They are lobster fishermen. That is an important means of supplementing their income. True, they are small holdings.

On the odd occasion when the farmer is in difficulty, when potato prices are low, he goes to the woodlot in the winter time and cuts pulpwood. The production of pulpwood is fairly substantial in this province, and it is transported either by rail or by barge to the mills in Gaspé and northern New Brunswick.

As I said, trees grow rapidly here, and my estimate of the value of the woodlot in the province would be very close to \$3 million a year, and that is not counting the farm fuel. That would be lumber on the farm and lumber for export -- and we do export some to Ontario and on occasion even to Newfoundland, strange as it may seem.





So fishing and lumbering, and the picking of wild berries, too, at certain seasons of the year, all go to supplement farm income; and when things get really bad, of course, there is work on the roads and in government service in one form or another.

MR. GRAUER: You expect that type of combined activity will continue, do you?

MR. DEWAR: Yes, I do. I cannot see any likelihood that it might change.

MR. GRAUER: Is there any forest products industry as such, or is it all associated with the farm woodlot?

MR. DEWAR: There is no crown land in this province. It is all owned by ~~private~~ individuals, and the only industry connected with it would be a few small sash and door mills, shingles and sheathing for building purposes, and that type of thing. We are not supplying our own requirements there, by any means.

MR. GRAUER: There are no firms exclusively engaged in logging, for instance?

MR. DEWAR: Oh, no, definitely not. We do have some firms that concern themselves with the pulpwood industry; that is, they are buyers and some of them do buy areas of woodland to log for pulpwood purposes.

MR. GRAUER: And there is no suggestion that it would be possible to put a manufacturing side to the forest business here?

MR. DEWAR: Not a very substantial one;



a few sawmills, that is for rough lumber.

MR. GRAUER: Fox farming apparently was quite a business here, but it has gone out. In some of the places we have been they seem to feel that mink farming is very promising. Has there been any investigation of that possibility here?

MR. DEWAR: There are a number of very efficient mink farms in the province, but it is not general. That is, the number of people who are mink farming, or who have mink, is rather small; but it is of some consequence.

MR. GRAUER: There is not much scope for growth there?

MR. DEWAR: No.

MR. GRAUER: Do you have the feed? For instance, whale meat seems to be a particular favourite.

MR. DEWAR: Our supply of whales or blackfish is not very plentiful. They only come in about once every two or three years.

MR. GRAUER: On page 10 you say you look forward with considerable confidence to federal assistance in education. Do you think that could be fitted into a national policy? For instance, I saw in the newspaper this morning that in a speech Premier Duplessis gave on Saturday, he instanced education as a field which the federal government should stay out of.

MR. DEWAR: My reference there was not to any special federal policy for Prince Edward Island, but I think eventually there is going to be





a national policy on education.

MR. GRAUER: You expect some federal assistance throughout the length and breadth of the country?

MR. DEWAR: That is right.

MR. GUSHUE: Is your previous reference on page 10 in connection with that particular paragraph? You speak of the contribution to the economy of Canada in the export of your young people. Then you say:

"Meritorious as this contribution has been, it is one which the island's economy is in a poor position to sustain and one which must be soon recognized in a tangible way."

I was wondering exactly what you meant by that.

MR. DEWAR: Well, I would not believe we could continue indefinitely rearing families, educating them, exporting them and receiving nothing in return for them. We are going to exhaust our resources doing that sort of thing. I am sure it is commendable, but how long can we continue it? So, if we are going to continue with that sort of proposition, we must have something in a tangible way to reimburse us, and my suggestion of something tangible would be federal assistance in education.

MR. GUSHUE: That is what you mean?

MR. DEWAR: Yes.

MR. GRAUER: On page 11 one of your conclusions is:



"The paying of greater attention to methods of marketing and to increasing the island's share of the Atlantic region markets...."

I take it you regard Canada as the larger hope for agriculture?

MR. DEWAR: Yes.

MR. GRAUER: But in this respect, having regard to all the other Atlantic provinces, are there any non-competitive fields in so far as Prince Edward Island on the one hand and the other Atlantic provinces on the other are concerned, or would it be a question of Prince Edward Island so improving its quality that it would get a larger share of an existing market?

MR. DEWAR: There is possibly a contradictory idea there. Prince Edward Island is the only surplus food-producing area in a 500-mile radius. The maritimes are a deficiency area in food production. They are deficient in meat, both bacon and beef, in bacon I believe to the extent of nearly 40 million pounds a year and in beef by a similar amount. If our production can be increased the market is there for us in the maritime provinces. It is not a question of improving our quality; it is a question of increasing the total supply.

MR. GRAUER: On page 11, recommendation (k) reads:

"The high cost of establishing farms suggests the necessity of establishing better credit facilities for agriculture."



Is there an actual, substantial demand for such credit facilities, or is this more or less a logical deduction?

MR. DEWAR: Well, there is more of the need than there is the demand. Certainly there is a demand, too. Our organization has been pressing for some time for the establishment of a provincial land establishment policy. I believe we are one of the few provinces in Canada, perhaps the only one, that does not have some type of provincial land settlement policy, or some form of establishment assistance policy. We do have the federal farm loan board and the Farm Improvement Loans Act, but they do not quite fill what we consider to be the requirement.

MR. LUSSIER: If you will permit me, I have some pointed questions to ask. They are about your forests. What is actually the potential forest area in the province?

MR. DEWAR: The total area of this province is 1,250,000 acres. I would say there is roughly about 20 per cent of that, or 250,000 acres, that might well be growing forest products. Perhaps the percentage is higher.

MR. LUSSIER: Do you export some of your wood outside Canada?

MR. DEWAR: Not to my knowledge.

MR. LUSSIER: Do you think there would be some possibility of exporting rough wood outside the province, because there is a big demand some places in Canada for that.





MR. DEWAR: During the war years and for a few years after the war, we did export pit wood to England, but apparently the Scandinavian people are in a position to supply that to better advantage than we are.

MR. LUSSIER: Do you know what is the average annual yield per acre of your forests?

MR. DEWAR: Slightly over a cord per acre.

MR. LUSSIER: Have you any experimental forestry blocks?

MR. DEWAR: There are. The provincial government has a forestry branch, and I think they make available the services of two foresters. There is a forestry act also, which does attempt to exercise some control over indiscriminate cutting, that is clear cutting, of the woodlots in areas of over two acres.

MR. LUSSIER: Have you forest fires of any importance?

MR. DEWAR: No, I would not say the forest fires were of importance. We do have the occasional bush fire, but due to the broken nature, that is the interspersing of cultivated land with the woodlots, we have never had an extensive forest fire.

MR. LUSSIER: Is there the necessity in some places for artificial reforestation?

MR. DEWAR: I believe there are areas in this province, areas of submarginal land that were cleared at one time that might be much better today put into forest rather than into farm land.



MR. LUSSIER: Have you any nurseries?

MR. DEWAR: We do have a nursery in the province, which I believe is doing quite an excellent job in that respect, in making trees available for re-forestation.

THE CHAIRMAN: Mr. Dewar, I said we were impressed with your brief. I think we are equally impressed with the way you have answered these various questions which have been shot at you from both sides of the table. We are very grateful to you. Thank you very much.

--- Recess.





THE CHAIRMAN: Now, Colonel Macdonald and Miss Bonus, would you care to present your brief on behalf of the Prince Edward Island Teachers' Federation? We will label your submission as No. 17, if you would be kind enough to present it.

COLONEL MACDONALD: As a preface to this brief, I would like to extend on behalf of the teachers of the island, their sincere appreciation for this opportunity of speaking to you.

The Prince Edward Island Teachers' Federation is a provincial organization, affiliated with the Canadian Teachers' Federation, and comprises approximately 800 teachers.

This provincial organization of teachers became incorporated in 1945, with the following as its aims:

(a) To promote and advance the cause of education;

(b) To raise the status of the teaching profession;

(c) To promote and advance the interest of teachers, and to secure conditions which will make possible the best professional services;

(d) To arouse and increase public interest in educational matters;

(e) To co-operate with other teachers' organizations throughout the dominion of Canada, having the same or like objects.

The question may be asked as to what connection there is between these aims and the development



of our natural resources. We maintain that for the full, speedy and effective development of the natural resources of any country, a sound education is a basic necessity. For proof of this we have only to look into history and about us in the world today. Those countries with low standards of education have either left their natural resources undeveloped or have had them developed by outside interests at a serious economic loss to themselves. For this reason we submit that any study of the development of the natural resources in Canada, and in this province in particular, must take into consideration the education of its people.

The two main resources of this province are its fertile soil and the fishing grounds which surround it, giving rise to our two chief industries, farming and fishing. It is generally conceded that to develop natural resources capital is necessary. However, for the judicious and effective use of capital, qualified personnel is necessary. To properly train this personnel, there is required: (a) a good common school education; (b) specialized training at the high school or university level. We deplore the lack of both of these in most of the rural communities in this province. That is why we of the Prince Edward Island Teachers' Federation, being particularly concerned with the common school education, seize every opportunity to point out this deficiency, together with what we believe to be its causes and how it can be remedied.





The two basic requirements needed to give our children a sound education are: first, good teachers; and second, adequate buildings and equipment. We have placed these basic requirements in the order of their importance because spending money on buildings and equipment is absolutely useless unless there are available teachers who are interested, well-trained and having the necessary adequate knowledge.

The supply of properly qualified teachers, however, is lacking. A very large percentage of our rural schools are staffed with permit teachers or teachers of little or no experience. The small number of students enrolled in the teacher training course at Prince of Wales College does not fill 50 per cent of the vacancies caused by those leaving the profession each year. Thus, the situation is growing worse.

What causes this shortage? The LaZerte report lists: first, low salaries; and second, unattractiveness of rural working and living conditions. For these two reasons it has been possible to attract into the teaching profession very few people of the highest calibre and good cultural background.

Teaching in our schools is truly an essential and basic public service and that it must be maintained no one will deny. We find, however, that to improve our present status in education we require greatly increased finances. It is generally conceded that no undertaking of any kind succeeds unless adequately financed. Therefore if we wish our schools to carry out properly their roles in the





preparation of the personnel required to develop the natural resources of the province and the nation, adequate finances are absolutely necessary.

What is to be the source of the money needed for this extra expenditure? Since our provincial government is already paying to education approximately one-seventh of its total revenue, federal aid to education, we feel, is the main solution as far as Prince Edward Island is concerned. Moreover, we believe that such federal aid should be considered with a view to equalizing educational opportunity, so that all Canadian children, irrespective of location, may be given the same chance to secure that degree and quality of education which may enable them to play their proper role in the development of our vast natural resources.

THE CHAIRMAN: Thank you, Colonel Macdonald. As I mentioned to you, all of my colleagues are or have been teachers, and I must say that I am extremely sympathetic to your point of view and their point of view, so there will not be any controversy on this point. I also like your emphasis on the fact that the first requirement is good teachers and the second requirement, in that order, is the provision of buildings and physical requirements.

Toward the end of your brief you mentioned that one-seventh of the provincial revenues are devoted to education. How does that compare with the expenditure on education in other provinces, as



the proportion of the total revenues?

COLONEL MACDONALD: I would say it is high, relatively speaking. One of the important factors, mentioned in the premier's brief, was that we are not set up in this province on a municipal basis, and consequently the provincial government is really the municipal government as far as education is concerned. The local school boards do raise what is called a supplement to the basic salary provided by the provincial government; and the basic salary provided by the provincial government is relatively higher, I think, percentage-wise, than in any province in Canada.

I might add that on the other side of the picture we are only spending from both sources, provincial and local school boards, approximately \$80 per pupil, which is extremely low compared with the \$200 or \$300 in Ontario and the other provinces.

MR. STEWART: You mentioned that you had 800 members. Do you include in your membership all those persons who are teaching in the schools?

COLONEL MACDONALD: Yes, sir.

MR. STEWART: So that is the number of persons who are actually teaching school?

COLONEL MACDONALD: Yes.

MR. STEWART: What is the teacher-pupil ratio?

COLONEL MACDONALD: I would say approximately 1 to 30. Some of the country schools are larger than that, and some smaller. In the city of





Charlottetown it is 1 to 30.

MR. STEWART: Have you many of the so-called little red school houses, or the one room schools, in the province?

COLONEL MACDONALD: Yes, quite a large proportion of them. I must say that the provincial department of education has done a very considerable job in the last number of years in inducing the local school boards to put up decent buildings. They do underwrite a considerable proportion of the cost.

MR. STEWART: Has there been any significant trend toward consolidation?

COLONEL MACDONALD: Yes. Some years ago there was a unit near the city which petered out, but quite recently unit No. 1 was set up on the outskirts of Charlottetown. It is partly rural and partly urban, since the fringe area of Charlottetown may be considered rural.

MR. STEWART: Is lack of roads a problem in advancing consolidation?

COLONEL MACDONALD: Yes, that is one of the very serious considerations against the larger administrative unit and the building of what are called regional high schools; the winter transportation.

MR. STEWART: You have the one teacher training college?

COLONEL MACDONALD: Yes, Prince of Wales College. We call our teachers first and second class teachers. The second class teacher is one who has



completed grade 11 and gone on to one year in normal school in the same college. The first class teacher is one who has completed grade 12.

MR. STEWART: What are the permit teachers?

COLONEL MACDONALD: They are those who in a few cases have not completed grade 11, but have been given a permit to teach in a rural school. We have approximately 100 of that type. At the same time the term is also applied to some former teachers who married and years later were induced by the local people in the district to take over the local school. Since they have been out of training for a number of years, they are given a permit.

MR. STEWART: Is there a correspondence branch?

COLONEL MACDONALD: Yes. It is in operation for the sake of some of the isolated districts that cannot get to a school.

MR. STEWART: Do the permit teachers use the correspondence branch, or do they actually teach themselves?

COLONEL MACDONALD: They teach themselves. In the odd case they might get some of the correspondence material.

MR. STEWART: They are not what we call supervisors; they are actually teachers?

COLONEL MACDONALD: Well, in a sense, I suppose. They teach the junior material all right.

MR. STEWART: I gathered earlier that



you were experiencing the same phenomenon we find in all provinces, that this bulge of young people are moving up into the high schools. Is it going to be difficult to get qualified teachers for the high schools?

COLONEL MACDONALD: We have quite a number in the province who are qualified as high school teachers, with degrees.

MR. STEWART: You require a degree for a high school teacher?

COLONEL MACDONALD: Yes.

MR. STEWART: As these numbers advance, will you have an increasing problem in getting qualified high school teachers?

COLONEL MACDONALD: That is right. Of course we are concerned, too, with the lack of people entering the profession. For instance, this year we had approximately 60 normal school students in residence, or at least in the city attending Prince of Wales College, whereas we need over 100 to supply the demand each year.

MR. STEWART: Has ~~there been~~ any increase in the numbers entering the teacher training school?

COLONEL MACDONALD: No, there has been a steady decrease in the last number of years.

MR. STEWART: This may sound a silly question, but do people come into this province in order to teach?

COLONEL MACDONALD: Not too many. The odd islander returns for personal reasons, I suppose,





but not too many come from other provinces. Our salaries are a good deal lower. The average salary in Prince Edward Island from all sources is approximately \$1,400.

MR. STEWART: I should have asked the mayor of Charlottetown this question, but do the schools in Charlottetown take pupils from other areas?

COLONEL MACDONALD: No. If they come in from outside areas other than the city they have to pay a tuition of \$60 per year, and we have not very many, probably a dozen in our city schools. That is in the public schools, up to grade 10.

MR. GUSHUE: What would be the maximum number of classes taught in one rural school?

COLONEL MACDONALD: Ten grades in one rural school.

MR. GUSHUE: Are there many of those?

COLONEL MACDONALD: Oh, yes.

MR. GUSHUE: Is there any bus service to any of the schools?

COLONEL MACDONALD: Yes, some of the schools have a bus service.

MR. GUSHUE: Is there any use of radio in the classrooms?

COLONEL MACDONALD: Yes, we take part in the marathon school broadcasts. A good many schools are equipped with radio sets now.

MR. GRAUER: Is all vocational training centered in Charlottetown?



COLONEL MACDONALD: Yes, except for a junior type of manual training that is taught in Summerside or in city schools here. We have a type of manual training, with home economics for the **girls** -- sewing classes, cooking, and a small amount of sheet metal work.

MR. STEWART: Is there any vocational agriculture taught in the schools?

COLONEL MACDONALD: No.

MR. GRAUER: I notice on the second page of your brief you say that there should be specialized training at the high school or university level. Would you propose to bring that about by scholarships, or just how would you tackle that?

COLONEL MACDONALD: Well, we feel that if the profession could offer a reasonable wage to people, they would enter it after their university training, and therefore we would gradually raise the standards of teaching in the province.

MR. GRAUER: But I imagine it would be pretty difficult to distribute vocational training around the province, would it not, because there are not enough centres of population?

COLONEL MACDONALD: You are speaking of vocational training now? It is quite true that the opportunities for vocational teachers are quite limited. There is a vocational school in the city, operated by the provincial government through the Department of Education.

MR. GRAUER: Then the specialized training you speak of is for your two chief





industries, farming and fishing; or do you have in mind that such specialized training would be given in the ordinary schools throughout the province?

COLONEL MACDONALD: No. What was felt, rather, that there was a need for more high schools throughout the province. It was thought that these one room, old, red country school houses would operate probably up to grade 6 or 7. Then the senior pupils would be gathered into regional high schools, where they would have opportunity for specialized training, in vocational work and so on.

MR. GUSHUE: That is where your bus service would come in?

COLONEL MACDONALD: Yes.

THE CHAIRMAN: Well, in concluding this session I should like to say that we think it has been a very interesting one. We are grateful for the briefs that were presented to us, and for the thought and effort that went into their preparation and presentation.

We shall adjourn now until 10:00 o'clock on Wednesday morning, October 26, when we meet in Fredericton.

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--- At 1:15 p.m. the commission adjourned.











